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SURVEY OF TAXES PAID BY BUSINESS

INDUSTRY AND TRADE GROUP PRELIMINARY FIGURES ON SEVEN TYPES OF TAXES

This Month's Cover

ROCHESTER

Drawn by J. Young and lithographed by J. H. Bufford, this view of Rochester, New York, from the Upper Falls of the Genesee River shows the rapidly growing community as it was at about the time it received its charter as a city of about 12,000 inhabitants in 1834. The tall tower at the left of the view, to the right of the dead tree, is the Grace Protestant Episcopal Church, erected in 1828-30 as St. Paul's and destroyed by fire in 1847. The community's history dates from the establishment in 1789 of Ebenezer "Indian" Allan's sawmill and gristmill beside the Genesee at the place where the trails of the Seneca Indians crossed. Three men from Maryland, among them Nathaniel Rochester, bought the "100 Acre Tract" in 1802, and in 1807 Rochesterville was incorporated. Following the opening of the Erie Canal in 1823, the "Flour City," so-called because of its early importance as a flour-milling center, embarked on an era of rapid progress. . . . This print from the Phelps Stokes Collection appears through the courtesy of the New York Public Library . . . . The city today, shown above, is known descriptively as the "Flower City" and as the "Kodak City." Rochester leads the world in the manufacture of photographic supplies, optical goods, and thermometers, and is important in the production of men's clothing, boots and shoes, electrical machinery, and foundry products. Its six parks are the pride of local horticulturalists, and the collection of more than 387 varieties of lilacs is widely acclaimed. One of the most heavily endowed educational institutions in the country, the University of Rochester, which includes the well-known Eastman School of Music, distinguishes the city as an educational and a cultural center. The population in 1933 was 333.500.

DUN'S REVIEW *for* APRIL, 1939

EWING GALLOWAY

¶ For those interested in the prints of century-old cities appearing on the covers of DUN'S REVIEW, the publishers have arranged to provide mounted copies suitable for framing. Not all back numbers are available. Orders for copies of prints on current issues should be placed promptly and accompanied by check or money order. For prints set off by an appropriate French mat 13½ x 14¾ inches ready for framing the charge is $1. For prints mounted and framed, with glass, the charge is $3. If in New York City, add 2 per cent sales tax. . . . ¶ Information about subscription rates will be found on page 49. . . . ¶ Second cover photograph by Fairchild Aerial Surveys, Inc. Frontispiece photograph by Charles Phelps Cushing.

EWING GALLOWAY

FEAR AND FORCE—OR FACTS?

The Honorable
JOSEPH C. O'MAHONEY
United States Senator (Wyoming)
Chairman, Temporary National Economic Committee

Business and government will serve best by co-operating to devise the rule that will keep opportunity free, provide employment, stabilize income, and abolish all arbitrary restriction on free private enterprise, says the author. This is one of a series of articles on subjects important to business, presenting the opinions of men whose backgrounds have created decided and often conflicting convictions.

A LITTLE over ten years ago Americans everywhere, particularly in Wall Street and in Washington, were talking about the "New Era"—and believing in it. That was one of the reasons why we had the "Crash" and why, after six years of the "New Deal," we are now groping for "Recovery" by some ill-defined, obscure program of "Appeasement."

As a people we are readers of head-lines. We are slaves of slogans and of catch-words. We don't seem to want to take time to learn what is beneath the head-line or behind the slogan. We're so impatient to get results *now* that we don't bother to examine or to test the methods by which the results are to be achieved. And yet Americans are supposed to be a very hard-headed people. The Yankee trader is supposed to have stamped a cautious, prudent character upon the whole population. But the history of the last fifteen or twenty years of public action has been the history of headlong and impulsive experimentation with all sorts of economic and political nostrums. And, to use a popular phrase, our condition is getting no better fast!

Isn't it about time for us to realize that there is something fundamentally wrong and that we can't cure it by mere palliatives nor by treating only the symptoms? What's the use of shouting "Stop spending!" "Cut Taxes!" "Give Business a Breathing Spell!" when we know that there's nothing local about this economic epidemic, that it's a world-wide disaster and that men in every nation and on every continent, stricken with the fear that rises out of ignorance, are turning desperately to force?

Isn't it about time for us to steel our hearts against both Fear and Force, and by intelligently searching after Facts use our brains in a patient, tolerant, democratic way to discover how all the people of America and of the whole world may live on the high plane of plenty and prosperity, the materials for which are scattered all about us?

Of course, I wouldn't pretend to assert that the Temporary National Economic Committee is going to settle the ills of the world. But I will say that it can become a helpful guide to recovery by developing the actual facts about the commercial and political roads along which we have been travelling at such a headlong, helter-skelter rate for the past generation.

Indeed, our situation may very well be compared to that of a reckless youth in a high-powered automobile on a curving road. We haven't learned to use the vehicle that science and invention have placed at our disposal, and, though we are trying to get every bit of power out of the new car, it isn't geared to the road on which we're travelling. That's why we're having a screeching skid or a wreck at almost every turn.

WIDE WORLD

HE RESPECTS REALITIES

Born an O'Mahoney 54 years ago in the small Massachusetts city of Chelsea, near Boston, Senator Joseph C. O'Mahoney comes to the problems of economic investigation with a background as student at Columbia University, Editor of the "Cheyenne State Leader," and an LL.B. from Georgetown University. His article and newspaper reports of his work might suggest the thought that he combines a newsman's respect for realities with the Gael's zeal for challenging those which irk him.

From 1920 to 1933 Senator O'Mahoney served as member of the bar, State and National Democratic Committeeman, and then First Assistant Postmaster-General. Appointed to fill an unexpired term in the Senate, he was re-elected in 1935. He is chairman of the Temporary National Economic Committee which last year began examination of our economic system.

The statutory laws by which we try to govern our economic life were designed primarily for an era when business was local and individual. Our habits of thought are such, and the force of custom is so great, that we act in complete disregard of the fact that modern commerce is national and even international in scope and that it is carried on, not by natural persons, but by corporations which, though created by men, have tremendous advantages over men in all commercial relations. In the world of trade, a man is no match for a corporation, though men, without the corporation, could not begin to accomplish the material results which have characterized this century. The truth of the matter is that we *are* living in a New Era but we persist in acting as though we were not.

The purpose of the Temporary National Economic Committee is to apply the scientific method to the economic dilemma. There is no single phase of our whole economic life that is not out of joint, and there is no possibility of making the machine work again except by studying it as a whole.

Agriculture, the basic industry by which men have lived since before the first histories were written, is, next to the railroads, the major economic casualty of our time. We have too much wheat, too much cotton, too much corn, too much of all the things that men use for food. The farmer cannot exchange them for the things he needs and wants, though there are urban millions who need and who want the farmers' products but cannot get them because the industrial system is also unable to function.

For our present powers of consumption, there is too much coal, too much gas, too much electric power. The development of oil throws the coal miner out of work. The pipe line cuts down the number of coal cars transported by the railroads. Gas makes war on both coal and oil, while electric power invades the field of all three. And all want to exclude the others from the field.

For twenty years the farmer has been knocking at the gates of Congress for national legislation to enable him to sell his goods at a profit. Right beside him stand the coal operator, the coal miner, the oil producer, the oil worker, the railroads, and the railroad workers, while manufacturing industrialists of all kinds have from time to time during a century and a half sought and received tariff aids. Consumers and unemployed also turn to Congress for laws to improve their status.

Remedies and reforms are proposed to Congress in the same steady stream that brings the complaints. One group insists that changes in the money system will provide the answer. Another demands social legislation. Another has a new plan to dispose of farm surpluses. Another would fix prices. Another proposes government subsidies of this, that, or the other kind. Another, in bland disregard of the fact that the ratification of the Constitution itself was brought about by the business community because it wanted a stable central government to aid business, and that business could not possibly survive without government, cries "Let business alone." We confuse the means proposed with the objective sought, and, if the pressure gets strong enough, we adopt the means without sufficient

scrutiny lest we be accused of being opposed to the objective.

The advocates of each new proposal and the representatives of each separate industry or trade clamor for the adoption of each special remedy without regard to its effect upon the other factors of our economy. Yet the most obvious fact of all is that all factors are interdependent and that no one group can prosper unless all the others prosper likewise. It is the whole economic system of the modern world that must be re-examined in order that it may be made to function in a way that will preserve economic freedom and political liberty. Surely no one can doubt that democracy is being overthrown in Europe precisely because the economic system has not been operating in such a manner as to protect individual rights and individual security.

What we have failed to realize is that in the modern world we operate on a collective basis. It is fashionable to denounce "collectivism" as something inherently bad and as though we were still living in an individualistic society. Frequently the business man whose every energy is devoted to the management of some collective enterprise is most emphatic in denouncing collectivism. Such a person is doubtless thinking of the so-called collectivist governments, but we shall fail to see our problem in its full perspective until we realize that the large modern corporations which dominate the economic scene in our time are in fact collectivist economic states. The citizens of such a state are the investors who own it and the workers who make it function, while the management which guides its policy is its government, owing a responsibility not only to investors and workers, but to the public also.

That these economic states have become increasingly efficient no one can reasonably deny, nor that they make available to the whole population commodities, conveniences, luxuries, and services that would otherwise be impossible of enjoyment.

While it is true that a big country needs Big Business and that size of itself is not to be condemned, it must be admitted that Big Business, by and large, has grown at the expense of both natural persons and of Little Business. As a few units gain control of the major portion of any industry, trade, or business, the free independent enterpriser is driven out and more people become employees. Big Business finds it easier to finance itself than Little Business, because it is in a position of authority, while Little Business is in the position of a suppliant. The fewer the units, the easier to control prices and suppress competition. Thus organization becomes more powerful than the citizen.

Generalizations, of course, are extremely dangerous, just as over-simplification of the problem is dangerous; so it must be asserted and reasserted that corporations are essential and beneficial instruments of our existence. We do know, however, that the growth of Big Business has been accompanied by increasing unemployment. It is, of course, true that new industries make new opportunities for labor, but there is much ground for the belief that each year develops a net surplus of labor. Certainly it will be acknowledged that unemployment was a problem before the "crash" and that

(Continued on page 47)

CHICAGO, LOOKING NORTH FROM RANDOLPH STREET—APEX PHOTO

SURVEY OF TAXES PAID BY BUSINESS IN 1938

A PRELIMINARY REPORT

IN THESE TIMES when it seems probable that business men as well as government leaders will have to continue a rather serious interest in taxes, it is appropriate to examine the amount and character of taxes paid by various types of business enterprises. Therefore, such a Survey of Taxes Paid by Business was planned by DUN & BRADSTREET last Fall with the belief that the relation between taxes and business progress must sooner or later come up for careful study.

The Survey does not venture into the vast and disputatious field of theory of taxation. There is no consideration as to whether any of the taxes are just or unjust, or as to the degree of their restrictive effect on business confidence and progress. Such points have been the subject of many learned treatises, delving into the valid theoretical distinctions between taxation for revenue and taxation for social or economic control. That field is, with the greatest respect, left to specialists who can honor it with long and careful study.

From the preliminary analysis of the first 10,000 returns in this Survey it is apparent that the manufacturing industry as a whole pays out somewhat more than 3 per cent of its sales receipts in taxes; retailing (excluding chains) about 2 per cent; and wholesaling 1½ per cent. The manufacturers' ratio, though already highest of the three, does not include any allowance for Federal excise taxes which are a substantial factor in certain industries, such as petroleum refining, tobacco, and liquor. These tax payments are discussed throughout the Survey as percentages of sales volume,

EWING GALLOWAY

PROPERTY taxes on manufacturers last year ranged from 0.42 per cent of sales in the food industry to 1.22 per cent in the iron and steel product industry.

the most practical reference base. Obviously, quite different figures would result if the taxes were computed as percentages of net worth, and much higher ratios if computed as percentages of gross margin or of net profits.

Such broad averages as these three for all manufacturing, wholesaling, and retailing conceal more than they tell. Behind them are marshalled supporting squads of figures on seven main types of taxes paid by 18 broad groups of industries and trades. The tax payments reported by these several trade groups reflect differences in the character of products made or handled and the kind of customers served. These variations, and the reasons which underlie them, form a previously untold story about one of the major current worries of most business men.

In the vast formal gardens of figures where the results are set out, some patterns and individual ratios stand out and attract attention, though their significance and implications in the country's tax problems cannot be stated with certainty at this stage. Such is the fact that total tax payments by manufacturing industry, exclusive of Federal excises on commodities, divide in three approximately equal parts; going for employers' Social Security contributions, Federal income taxes, and State-local taxes. In contrast is the breakdown of payments by independent retailers; one-third of their reported total being sales taxes (State and local), another one-third property taxes, leaving the remaining one-third to all other taxes.

In the analysis by size of concern it was found that large retailers consistently pay out a larger percentage of sales in employers' Social Security taxes than small retailers, but that the latter pay relatively more than large retail concerns in licenses and miscellaneous taxes. Also it appears that the proportion of sales volume represented by Federal corporation income taxes graduates more steeply according to size of corporation than the scale of rates in the tax law would predict. These points will be given further consideration.

Some portion of practically every known kind of tax except inheritance and gift taxes is collected from or through business concerns or from the earnings of business enterprise; and in a number of important instances the size of this portion is unknown. It cannot be calculated by a formula

which reaches down from the known total of tax revenues. For instance, income and property taxes paid by an individual who is proprietor or partner of a business enterprise are taxes on business to the unknown extent that the property is used in his business and the income is profit from the business. In the questionnaire, unincorporated enterprises were asked to apportion their tax payments on this basis. Furthermore, taxes are levied on various bases; and even a general tax which is imposed at mathematically equal rates on all enterprises will affect various industries differently.

Regardless of rates stated in law, a given tax may be more collectible in practice from large concerns than small ones—or even vice versa if expert tax advice does a taxpayer any good. For several reasons, then, taxes actually paid may differ from a theoretical projection of what might have been paid. The tax burden on business apparently must be arrived at by the traditional American plan of working up from the bottom.

A scanning of the questionnaire returns suggests no more likelihood of finding two concerns whose tax bills are exactly alike in amount and composition, than there is of finding two human beings exactly alike in physique, temperament, and appearance. Unfortunately, this infinite variety in the results of taxation is far from evidence of an infinite wisdom.

The present Survey, attempted with full knowledge that individual cases differ, shows, by averages and other analysis, the significant differences in the tax payments of various sizes and types of concerns. For instance, these tax payments range from business franchises which amount to only 5 cents per $100 of manufacturers' sales up to the employers' share of Social Security contributions of more than $1.11 per $100 of sales. From 9 cents or less of State income tax collected from each $100 retail volume, taxes paid by or collected through retailers range upward to 71 cents per $100 paid in State and local sales taxes. The same two State taxes—income and sales—stand respectively at the low and high ends of the wholesale trades' list of payments.

These tax relationships may change somewhat from year to year, both because of changes in tax rates, and because of the irregular swaying of the back-drop of sales on which these tax percentages are hung. The Survey reported here covers only one year's experiences, and the industries whose sales were conspicuously active in 1938 might be in a much different relative position a year or two hence. In any case, new significant facts have been brought to light, and a foundation

I. Sources of Tax Revenue in the United States, 1938

(Fiscal Year, 1937-1938; Millions of Dollars)

	Total	Federal[1]	State[3]	Local[5]
Personal Incomes	1,682	1,286	396	..
Corporations (General and Special)	1,869	1,489[2]	380[4]	..
General Sales	543	..	443	100
Excises (Liquor, Tobacco, Gasoline, etc.)	2,910	1,723	1,162	25
Customs	359	359	..	..
Licenses	512	..	412	100
Social Security:[1]				
Employers	1,170	422	748	..
Employees	332	332	..	..
Property	4,714	..	214	4,500
Inheritance and Gift	562	417	145	..
TOTAL	14,653	6,028	3,900	4,725

[1] *Annual Report of the Secretary of the Treasury, 1938*, first three items, Table 12, pp. 427-429; Customs, Table 7, p. 412; Social Security, pp. 401, 407 (includes Railroad Retirement Act revenue).

[2] Includes taxes on corporate net income, excess profits, capital stock, surtax on undistributed profits, and transportation.

[3] *Tax Policy*, Vol. VI, Nos. 2-3—December, 1938-January, 1939, p. 6—except Social Security item.

[4] Includes taxes on banks, chain stores, corporate franchises, insurance companies, and utilities. Severance taxes are likewise included.

[5] Estimated.

About the Survey of Taxes

The Survey of Taxes Paid by Business, for which preliminary findings appear here, will be reported in further detail in the June number of Dun's Review. This preliminary report is based upon analysis of the first 10,000 returns received from questionnaires mailed to every concern of record on January 1, 1939. The schedule asked the contributor for an account of taxes paid in 1938.

Members of the Committee on Taxation of the American Institute of Accountants were generous in their help in framing a practical questionnaire; a further debt of gratitude is acknowledged to the following for their assistance in planning the classification of taxes and the broad outline of the study: Dr. Roy Blough, United States Treasury Department, Washington, D. C.; Professors Roswell Magill and Carl Shoup, Columbia University; Dr. Frederick L. Bird, Municipal Service Department, Dun & Bradstreet; Mr. Clifford Hynning, United States Department of Commerce; and Miss Mabel Walker, Tax Policy League.

This study is a project of the Dun & Bradstreet Research and Statistical Division, carried on under the general direction of Willard L. Thorp, with Walter Mitchell, Jr., in charge of planning and analysis and Fernley G. Fawcett in charge of the compilation of statistics. Dr. Paul Studenski, professor of economics at the Graduate School of Business Administration of New York University, has acted as consultant and advisor in the compilation of this preliminary report.

has been laid for possible future studies to show the extent to which tax burdens change in relation to the business cycle.

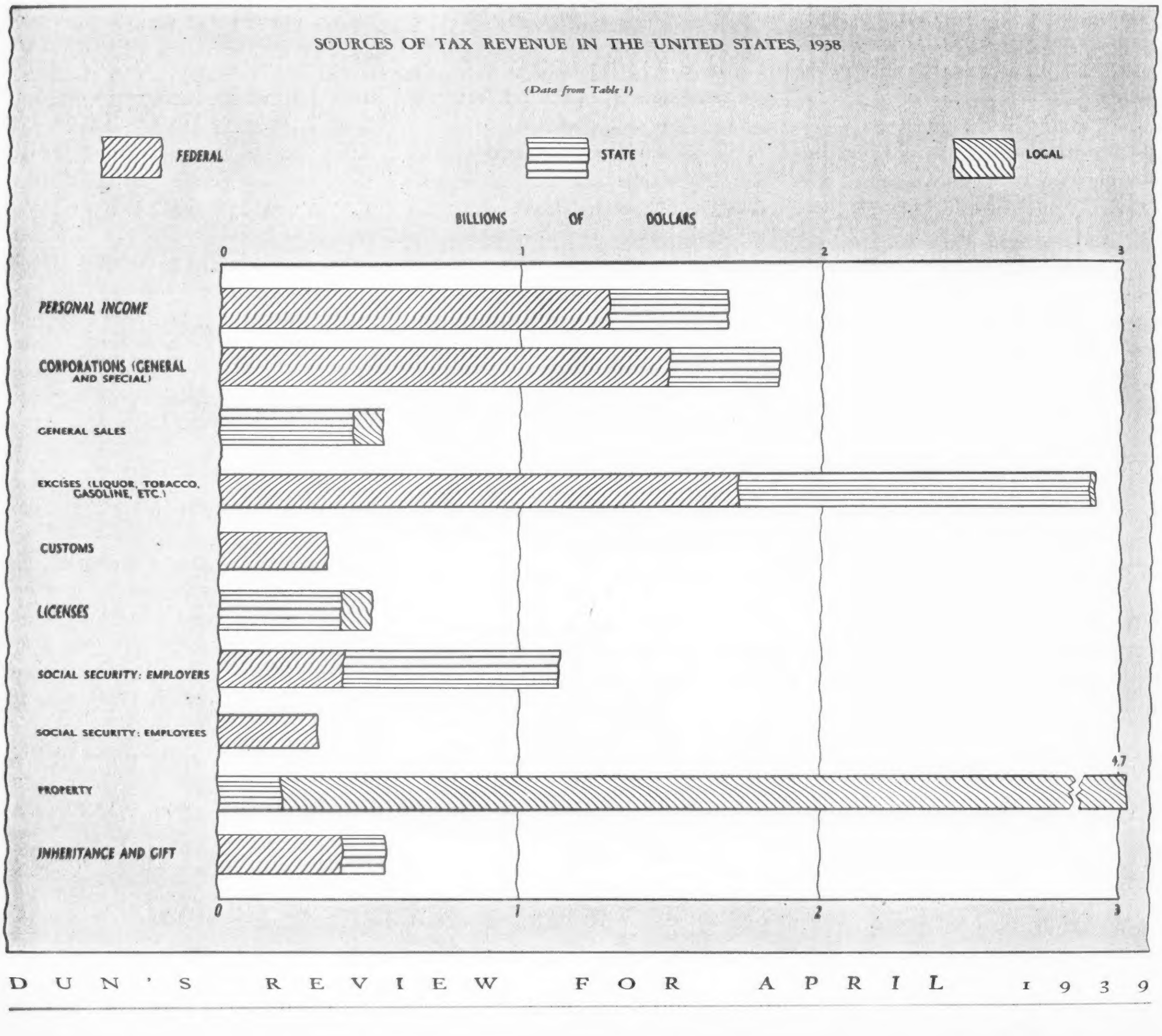
Of prime importance in the interpretation of these results is the fact that taxes paid by business are not necessarily taxes absorbed by business in the sense of being paid out of profits. For instance, many State sales tax laws specifically require that the tax be passed on to the consumer. Federal excise taxes are levied on manufacturers as a matter of legal convenience, but are passed on in their entirety as increased prices, except under the most stringent competitive conditions. Yet few taxpayers have even an approximate notion of the amount and the kind of taxes which they are able to pass on to their customers or employees.

Ever since that remote past day when the study of political science and economics reached childhood consciousness, the battle has raged among theorists as to which taxes are "shiftable" and which are not. Since the best minds over the ages have not been able to reach agreement on this point, the authors of the present study consider it no dishonor to disclaim omniscience. None of the descriptions or groupings of taxes in this report is intended as an inference that any given tax is or is not absorbed by any business organization.

However, a near approach to such a commitment is the exclusion of employees' share of Social Security taxes from our computations of total tax payment ratios, in accord with the legal distinction and the prevalent viewpoint.

Any study of taxation ventures into a complex subject, which in spite of all efforts at simplification remains a complexity. The tax system of the United States is difficult to compare with that of other countries and is rarely considered in its entirety because of the vast number of taxing authorities and the wide variety of taxes that pioneer American ingenuity has been able to devise.

The Federal tax system and the 48 State tax systems are merely a start. It is estimated, considering all counties, towns, villages, and other governmental units, that there are 175,000 tax authorities or systems in the United States. The three regular nation-wide blankets of Federal, State, and local taxation are supplemented by a patch-work quilt of drainage districts, mosquito abatement districts, school districts, conservancy districts, etc., in astounding number, and the great majority of them have the power



to tax. Between all these systems there is a vast amount of overlap as to type of taxes collected, specific taxpayers reached, and governmental services rendered.

The present DUN & BRADSTREET Survey delves into the taxes paid by business enterprises. While this is related in our tables to the sales volume or gross turnover of business, it certainly must also be related for the sake of perspective to total tax revenues. Out of approximately $14½ billion total tax revenue in 1938, about $6 billion was collected by the Federal Government, approximately $4 billion by the States, and $4½ billion by local taxing authorities (table I).

Since State and local taxes together amount to about 60 per cent of the grand total, the Federal taxes paid by business are more than likely to comprise a minor part of total payments by business. However, Federal revenue is a larger proportion of the total than was the case twenty years ago. It is, furthermore, a larger share now than in 1929, when Federal revenues amounted to 33 per cent of the total—and may even move above the present 40 per cent mark, since business improvement would expand income taxes more rapidly than property taxes. But it is quite certainly a smaller proportion than is commonly supposed or is inferred in discussions which blame all of our tax troubles on the central government.

The logical complement to an analysis of *where the taxes went* is an analysis of *where they came from*. Taxes levied on individuals (income, death, and gift taxes), amounted to almost $2¼ billion; on property to over $4⅔ billion; on specific commodities and services, almost $3 billion; on corporations (such as income, undistributed profits, capital stock and excess profits), over $1¾ billion; on payrolls for both State and Federal old-age unemployment, $1½ billion; on general sales, $½ billion; on privileges (licenses), $½ billion; and on imported commodities, $⅓ billion.

Obviously, not all of these taxes are paid by business. Individuals as such pay all of the personal income, inheritance and gift taxes, a large portion of the property taxes and license fees, and some custom duties direct to the various government bodies. Most of the remaining taxes are collected from or through business enterprises.

EWING GALLOWAY

IN TERMS of sales, the makers of iron and steel products paid more than three times as much as food manufacturers in Federal corporation income taxes in 1938, 1.31 per cent as contrasted with 0.4 per cent.

Three Main Classes

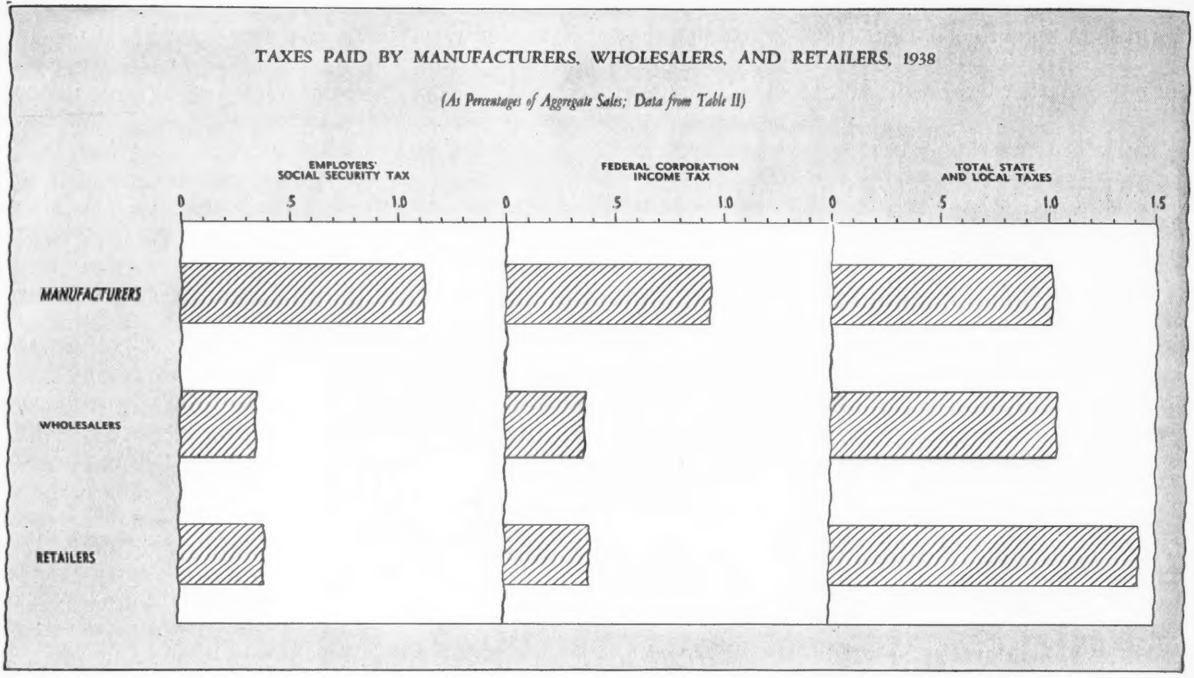
The various taxes explored in the present preliminary tabulation divide naturally into three major types: (1) the employer's share of Social Security tax; (2) Federal income tax; (3) all State and local taxes. It has been impossible at this time to tabulate any average payment of Federal excise taxes because of a scarcity of returns from those industries whose commodities are affected by such taxes. As mentioned in the summary above, Social Security taxes amount to somewhat more than 1 per cent of the dollar sales of manufacturing industries, Federal corporation income taxes a little less than 1 per cent, and all State and local taxes to about 1 per cent. The building materials industries are the only group among the eight broad industrial groups where Federal corporation income taxes amount to more than the Social Security levy.

In the wholesale and retail trades on the other hand, the relative importance of the three classes of taxes is in the reverse order. Here State and local tax payments are the largest, Federal income taxes next in size, the Social Security contributions the smallest. Moreover, this order of size is practically uniform throughout all of the retail trade subdivisions.

Our curiosity may be further satisfied by breaking open the neat statistical package labeled State and local taxes. The Survey shows these in five divisions: (1) State income taxes, (2) State and local sales and excise taxes, (3) property taxes, (4) business and franchise taxes, (5) all other taxes and licenses.

These five, together with Federal income taxes and Social Security contributions, now make seven contestants for the largest share of the business man's pocketbook. With respect to manufacturing industries, it is necessary now only to add that the third largest amount is the property tax paid by owners of business quarters. Fourth and fifth places go to State income and sales taxes, respectively. The small payments made by contributors on business franchise, license, and miscellaneous taxes fall at the bottom of the ranking.

Among the wholesale and retail groups, however, the story is quite



different. Sales taxes are the largest single item, with property taxes a close second. Social Security and Federal income taxes are practically tied for third and fourth places, while State income tax payments are the smallest item, trailing behind miscellaneous taxes and licenses.

In general it can be said that those taxes which show up in our tables as the smallest percentages of sales of the reporting companies are in that position for a double reason: not only is the usual reported payment a small amount, but a considerable proportion of the contributors to the Survey definitely report "zero" tax payment under such headings as "business franchise," "sales and excise," "miscellaneous and licenses."

Social Security Taxes—As against 1.1 per cent in the case of manufacturing, the employers' share of Social Security contributions amounts to less than 0.4 per cent in the wholesale and retail fields, though reports range higher and lower than these averages among individual cases and trades.

Employers' Social Security Taxes

	% of Tax Payments	% of Sales
Manufacturing	34	1.11
Wholesaling	23	0.35
Retailing	19	0.39

The foregoing averages are based on contributors' reports of total payments whether collected by the Federal or the State Government. The hybrid character of these taxes is unique in that, as a matter of practice, the Federal Government sets the rates but the States collect much of the money.

However, contributors were asked to separate in their schedules the employers' and employees' portions of this tax, because the law assumes the latter to be a burden on the worker rather than upon the enterprise which employs him. Data on the workers' share were compiled for study but are not published because they are not properly a part of the total tax payment summaries in the first colum of table II. Reports from manufacturers and wholesalers showed the employer's share quite consistently four times as large as the worker's contribution, whereas among retailers, the employer pays only three times as much as the worker. These findings are roughly in accord with total revenue collected, the amount obtained from employers being about 3.5 times the workers' contribution (table I).

The difference in payment ratios between manufacturers and wholesalers on the one hand and retailers on the other hand is related to the terms of the law and typical sizes of establishments. The unemployment program does not reach enterprises with less than eight employees; the majority of retail establishments fall in this exempted group. Among manufacturers and wholesalers, particularly among the larger-than-average type of concern which voluntarily contributed to the Survey, the greater number probably employ more than eight workers, which makes the entire personnel subject to the unemployment, as well as to the old age retirement program. The unemployment tax is primarily borne by the employer, since only ten States provide for collecting unemployment contributions from workers.

Retailers with from one to eight employees are subject only to the old age retirement tax, which is borne equally by employers and workers. Lastly, a large number are one-man stores and partnerships with no employees, hence do not participate at all. These facts account for the smaller percentage of sales paid by retailers in Social Security contributions, at the same time explaining different ratios of employers' and workers' payments. This analysis is confirmed by the fact that the average tax payment reported is heaviest among large retailers and smallest among the small store operators (table IV). For example, retail food stores with sales of over $300,000 pay at a rate nine times higher than those with sales less than $20,000. A similar detailed tabulation (unpublished) shows no such tendency for big wholesalers and manufacturers to report consistently heavier Social Security payments than the small ones.

Social Security contributions, regardless of whether they be defined as insurance premiums or taxes, are a new and major part of the business man's payments to Government, and are scheduled to become larger, though doubtless no business man hopes to see other taxes match their rate of growth. "As certain as death" though taxes may be, this one surpasses them all, reaching practically every manufacturer and wholesaler, along with eight out of ten retailers.

INCOME TAXATION—Income taxes are probably the only taxes which can be said to convey a compliment with the injury, in that they bear only on those enterprises able to make money. It has been estimated by various observers that only a little more than half of our business enterprises make a profit even in good times. Therefore, it is not astonishing to find that about three out of ten reporting manufacturers and wholesalers, and about six out of every ten retailers paid no Federal income tax in 1938, even though 1937, the year to which these tax payments would of course apply, was generally thought a relatively prosperous one.

Adding together the sales volumes of these concerns which reported income tax payments and those which reported definite "zero" payments, and comparing that amount with the total dollar amount of income taxes paid, gives these results, abstracted from

II. Taxes Paid by Industrial and Trade Groups in 1938

(As Percentages of Aggregate Sales)

	Total All Taxes[1]	Social Security Taxes (Employers')	Federal Income Tax: Corporations	Federal Income Tax: Proprietors, Partnerships	State and Local Taxes: Total State and Local Taxes[2]	State Income Tax: Corporations	State Income Tax: Proprietors, Partnerships	Sales and Excise Taxes	Property Taxes: Owners (Real and Personal)	Property Taxes: Tenants (Personal Only)	Franchise and Chain Taxes	Other Taxes and Licenses
MANUFACTURING	3.30	1.11	0.94	0.46	1.02	0.12	0.13	0.09	0.76	0.21	0.05	0.06
Food	1.69	0.58	0.40	0.25	0.74	0.08	0.03	0.14	0.42	0.08	0.02	0.12
Building Materials	4.01	1.12	1.42	0.58	1.11	0.13	0.15	0.07	0.86	0.29	0.03	0.05
Durable and Semi-durable Consumer Goods	3.12	1.14	0.62	0.12	0.92	0.10	0.09	0.03	0.80	0.12	0.07	0.03
Printing and Publishing	3.53	1.51	0.83	0.37	1.02	0.13	0.13	0.11	0.70	0.29	0.10	0.08
Chemicals, Drugs, and Paints	2.81	0.85	0.83	0.63	0.88	0.06	0.47	0.14	0.54	0.14	0.04	0.13
Iron and Steel Products	4.14	1.40	1.31	1.08	1.46	0.11	0.14	0.14	1.22	0.41	0.02	0.05
Machinery	3.95	1.39	1.25	0.90	1.08	0.19	0.27	0.08	0.73	0.25	0.07	0.05
All Other Manufacturing	3.39	0.98	0.82	0.67	0.87	0.16	0.12	0.09	0.57	0.27	0.05	0.04
WHOLESALING (except the alcoholic beverage and tobacco trades)	1.50	0.35	0.36	0.27	1.04	0.07	0.07	0.49	0.40	0.11	0.02	0.18
RETAILING (Independents only)	2.03	0.39	0.39	0.28	1.43	0.09	0.07	0.71	0.67	0.21	..	0.19
IMMEDIATE CONSUMPTION GOODS												
Food Stores	1.41	0.22	0.17	0.18	1.01	0.08	0.04	0.57	0.42	0.11	..	0.16
Eating and Drinking Places	2.87	0.95	0.39	0.17	2.10	0.07	0.07	1.30	0.89	0.13	..	0.47
Drug, Stationery, and Other	2.30	0.29	0.42	0.21	1.87	0.09	0.12	0.91	1.15	0.35	..	0.25
Gasoline and Oil	1.94	0.20	0.32	0.15	1.93	0.07	0.08	1.37	0.47	0.06	..	0.20[3]
Farmers' Needs	1.58	0.19	0.39	0.15	1.19	0.05	0.09	0.54	0.43	0.27	..	0.20
DURABLE AND SEMI-DURABLE GOODS												
Furniture and House Furnishings	2.43	0.49	0.61	0.34	1.69	0.05	0.12	0.94	1.07	0.22	..	0.18
Building Materials, Hardware, and Fuel	2.80	0.46	0.57	0.36	1.70	0.09	0.12	0.71	0.84	0.37	..	0.17
Motor Vehicles	1.41	0.40	0.16	0.30	1.06	0.09	0.04	0.61	0.41	0.08	..	0.20
Apparel and Miscellaneous	2.51	0.55	0.49	0.30	1.62	0.11	0.10	0.74	1.07	0.40	..	0.14

[1] Total, All Taxes: Includes only taxes paid by concerns reporting complete tax data. Therefore, it does not necessarily equal the sum of the individual tax items which may have been based on the experience of more or fewer concerns than the number reporting total taxes.

[2] Total State and Local Taxes: Excludes payroll taxes. In determining this total, weighted averages of State income taxes paid by corporations and unincorporated business have been used. A similar procedure has been followed in weighting property taxes of owners and tenants.

[3] Estimated.

III. Proportion of Reporting Concerns Paying Various Taxes

	Returns Tabulated	Social Security Tax (Employers')	Federal Income Tax	State Income Tax	State and Local Sales and Excise Taxes	Property Taxes	Franchise and Chain Taxes	Other Taxes and Licenses
	Number	*Per Cent of Concerns*	*Per Cent of Concerns*	*Per Cent of Concerns*	*Per Cent of Concerns*	*Per Cent of Concerns*	*Per Cent of Concerns*	*Per Cent of Concerns*
MANUFACTURING	2,019	96	72	35	35	80	26	52
Food	248	97	74	36	37	89	31	69
Building Materials	364	99	80	38	33	86	26	55
Durable and Semi-durable Consumer Goods	298	97	75	41	30	69	27	48
Printing and Publishing	385	88	53	27	34	74	20	43
Chemicals, Drugs, and Paints	95	93	79	30	39	68	33	61
Iron and Steel Products	252	100	81	32	33	87	26	49
Machinery	208	98	77	41	41	84	29	58
All Other Manufacturing	169	97	72	29	35	74	27	46
WHOLESALING (except the alcoholic beverage and tobacco trades)	806	95	72	37	46	73	28	70
RETAILING (Independents only)	7,264	80	39	19	52	75	14	69
IMMEDIATE CONSUMPTION GOODS								
Food Stores	1,071	68	17	10	53	68	11	77
Eating and Drinking Places	208	88	28	11	65	70	9	75
Drug, Stationery, and Other	478	81	28	15	53	72	22	74
Gasoline and Oil	059	54	19	11	59	61	13	72
Farmers' Needs	1,162	72	32	15	56	86	10	72
DURABLE AND SEMI-DURABLE GOODS								
Furniture and House Furnishings	463	86	52	26	51	66	15	66
Building Materials, Hardware, and Fuel	1,265	88	58	27	45	83	18	66
Motor Vehicles	554	99	64	33	46	73	20	80
Apparel and Miscellaneous	1,404	89	43	22	50	76	14	58

table II, shown on the previous page:

Federal Income Taxes

	% of Tax Payments	% of Sales
Manufacturing (corporations)	28	0.94
Wholesaling (corporations)	24	0.36
Retailing (corporations)	19	0.39
Retailing (unincorporated)	14	0.28

Contributors were asked by the questionnaire to combine in one item all payments on corporation capital stock tax, excess profits tax, surtax on undistributed profits, and corporation income tax. Reports from unincorporated enterprises supposedly reflect only the owner's profits from his manufacturing or trading operations, and exclude his income tax on dividends or salary from other sources. It must be remembered, however, that these returns still include taxes on that portion of the proprietor's business income which could rightly be allowed for his personal services. The salary of the proprietor of a corporate enterprise of the same size would not be a part of the corporation's income for tax purposes. To this extent the income tax payments of unincorporated enterprises are overstated by the Survey figures.

The percentage of sales paid as income tax by proprietors and partners is nevertheless smaller than the percentage reported by the average corporation in the same line of business, but about on a par with the rate of payment by the very small corporations (tables II and V).

Since the Federal corporation income tax is a graduated or progressive tax, ranging from 8 per cent on the first $2,000 of profit, up to 15 per cent on profits in excess of $40,000, both it and the surtax on undistributed profits favor small concerns. Therefore, it is not unexpected to find large corporations paying a greater percentage of sales than the small ones on this account. However, the payments generally graduate more steeply than would be expected from the rates in the law (table V).

The large corporation payment ratios range from two to five times as great as those by small corporations. A number of reasons for this difference might be surmised, such as the possibilities that large corporations are more frequently subject to the excess profits tax, that a heavier relative investment in equipment and mechanization might run up their capital stock tax, or that they chose to retain earnings at the expense of paying the undistributed profits surtax. However, no evidence is available at the moment for conclusions on these points.

A definite probability is that the owners of small close corporations can quite legally and sensibly withdraw a

major portion of their profits in the form of salary. Rates in the bottom personal income tax brackets are lower for individuals than for corporations. (See the earlier comparison of the payments made by corporations vs. unincorporated enterprises).

State Income Taxes—Income taxation by the States is popular and such payments were requested separately in the questionnaire schedule. About two-thirds of the States levy such taxes. The rates are generally lower than Federal rates, both for corporations and individuals. The result is that State revenues from income taxes amounted to less than one-third of Federal income tax revenue in 1938 (table I) and were a minor part of total State tax revenues. (A list of States imposing income taxes will be included in the final report and is now available on request.)

The average percentage of sales paid in the form of State income taxes is much smaller than the payments to the Federal Government, both because of the lower rates and the large proportion of concerns reporting no tax. In a later report a geographical breakdown will separate those concerns in States imposing income taxes, whereas only the national averages, of rather indefinite significance, are possible in the present tabulation.

In general, State income tax rates are similar on corporations and unincorporated enterprises, so that the average payments reported by these two legal styles are similar: 12 cents and 13 cents per $100 of sales in the case of manufacturers, 9 cents and 7 cents per $100 in the case of retailers, and 7 cents among wholesalers, whether incorporated or unincorporated. By comparing these rates with the Federal income tax payments discussed above, it will be seen that the Federal payments commonly range between two and eight times as great as State payments.

State Sales and Excise Taxes—According to the tenets of classical economists and the sonorous pronouncements of legislators, sales and excise taxes are supposed to be in large measure shiftable to the customer. They are commonly defined as taxes on the flow of business, or on consumption, rather than upon the merchant or manufacturer who acts as collecting agent. Under these circumstances, a business man who pays such taxes out of his pocket voluntarily would seem to be indulging in an expensive and unappreciated form of saintliness. However, he is occasionally forced by competition to pay the tax himself. Competition ordinarily starts with professional price-cutting, protected by a fog of confusion as to whether competitive prices include the tax.

In the questionnaire schedule, contributors were asked to segregate taxes collected for the Federal Government from those collected for State and local units. As mentioned above, data on Federal excise tax payments are as yet available from only a limited number of concerns, and will in any case bear on only a selected list of commodities. Therefore, the present tabulation and discussion is limited to State and local excise taxes.

State and Local Excise Taxes

	% of Tax Payments	% of State-Local Tax Payments	% of Sales
Manufacturing	3	9	0.09
Wholesaling	33	48	0.49
Retailing	35	50	0.71

Such taxes are in effect in nearly half of the States and in at least three cities,

IV. Employers' Social Security Tax Payments According to Size of Concern in Selected Retail Groups

(As Percentages of Aggregate Sales)

Concerns Grouped According to Sales Volume	Food Stores	Eating and Drinking Places	Farmers' Needs	Furniture and House Furnishings	Motor Vehicles
Over $300,000	0.64	1.70	0.30	0.72	0.42
$50,000 to $300,000	0.30	1.05	0.20	0.59	0.37
$20,000 to $50,000	0.12	0.63	0.11	0.25	0.13
Less than $20,000	0.07	0.36	0.05	0.17	0.07

V. Federal Corporation Income Tax Payments According to Size of Corporation, Selected Groups

(As Percentages of Aggregate Sales)

Corporations Grouped According to Sales Volume MANUFACTURING	Building Materials	Other Durable and Semi-durable Consumer Goods	Iron and Steel Products	Machinery
Over $1,000,000	1.61	0.67	1.59	1.41
$500,000 to $1,000,000	1.12	0.61	1.43	1.37
$200,000 to $500,000	0.88	0.43	1.05	1.00
$50,000 to $200,000	0.67	0.34	0.70	0.41
Less than $50,000	0.33	0.31	0.51	0.85

RETAILING	Gasoline and Oil	Farmers' Needs	Furniture and House Furnishings	Building Materials, Hardware, and Fuel
Over $300,000	0.36	0.50	0.85	0.61
$50,000 to $300,000	0.32	0.36	0.62	0.58
$20,000 to $50,000	0.21	0.28	0.22	0.38
Less than $20,000	0.14	0.08	0.19	0.18

New York, Philadelphia, and New Orleans. (A list of these States and cities will be included in the final report and is now available on request.) In some States where the rate is high, such taxes account for as much as one-third of the State's revenue, but considering State revenues in total they amount to only 6 per cent.

In editing the returns it was assumed that any manufacturer or wholesaler might be subject to such taxes because of business done in the affected States. If any retailer in a trade and locality subject to sales tax failed to report payment, his return was discarded; conversely, if any retailer reported a tax payment under this heading from a trade and locality not subject to such a tax, the item was discarded. Among the schedules remaining after this process, more than half of the contributing retailers report some such payment, 45 per cent of the wholesalers, and only 35 per cent of the reporting manufacturers.

Thus the Survey averages are a rough estimate of the proportion of the national sales volume which is collected in the form of sales taxes from these three fields of business. In States where the taxes are imposed the average percentages of sales would therefore be about twice as great as those shown in the Survey. A geographical breakdown of these differences will be possible with the aid of the larger number of returns to be tabulated in the final report.

Taking the country as a whole, the State and local sales taxes paid by manufacturers amount to only 3 per cent of their tax payments, whereas similar taxes in the case of wholesalers and retailers amount to about one-third of the total of their payments. The average ratio of payments to sales among the industry groups of manufacturers ranges between 3 cents and 14 cents per $100 of volume, whereas averages among the retailing group commonly range between 60 cents and $1.30 per $100. Wholesalers averaged 49 cents per $100—between these two.

Property Taxes—As the oldest and most widespread form of tax in the entire system, the levy on property is everywhere the main support of local government, is used to a limited extent by the State government, but not at all by the Federal Government. It yields a far larger revenue than any other single variety of tax (table I), but a big part of this is collected from individuals rather than from business. Property tax payments are reported by a larger percentage of the contributors than any other tax except Social Security:—by four-fifths of the manufacturers and three-quarters of the merchants.

It is believed that one of the most significant results eventually to be obtained from this Survey will be an estimate of the portion of the total property tax burden which is paid by business. For the moment, because of a shortage of returns in certain industry and trade groups, our estimates are related as percentages to the sales volume of those trades rather than as a proportion of property tax revenue.

Because lessees of commercial property only occasionally know the amount of property tax which is paid, the Survey questionnaire asked only for those property taxes paid directly, and for a separation of owners from renters. In the manufacturing field, almost two-thirds of the concerns, accounting for 88 per cent of the sales volume, owned their quarters; among the wholesalers, one-half the concerns, selling 60 per cent of the volume, are owners. Both of these ratios are in line with usual understanding of the prevalence of property ownership in these fields. Almost one-half of the retailers, representing 49 per cent of the total reported retail sales volume, are owners, whereas it has been estimated that 70 per cent of all retail stores carry on in rented quarters. This doubtless indicates some tendency for the returns in this Survey to come from the larger and more firmly established retail concerns. However, since unpublished details of the tabulation show that property tax payments commonly account for about the same percentage of sales volume, regardless of size of concern, it is not believed that the "error of sampling" in the retail field damages the accuracy of the findings.

Since property tax payments by tenants commonly include only property taxation on inventory and equipment, and occasionally such taxation on intangibles as may be assessed and collectible in their respective States, it is

VI. Payments of Licenses and Miscellaneous Taxes According to Size of Concern, Selected Groups

(As Percentages of Aggregate Sales)

Concerns Grouped According to Sales Volume MANUFACTURING	Food	Building Materials	Iron and Steel Products	Durable and Semi-durable Consumer Goods	Other Miscellaneous Manufacturing
Over $1,000,000	0.10	0.02	0.02	0.03	0.03
$500,000 to $1,000,000	0.11	0.07	0.03	0.01	0.02
$200,000 to $500,000	0.15	0.10	0.09	0.04	0.08
$50,000 to $200,000	0.14	0.12	0.12	0.07	0.08
Less than $50,000	0.37	0.15	0.17	0.12	0.09
RETAILING	Food Stores	Eating and Drinking Places	Farmers' Needs	Building Materials, Hardware, and Fuel	Motor Vehicles
Over $300,000	0.04	0.13	0.09	0.13	0.14
$50,000 to $300,000	0.13	0.43	0.19	0.16	0.29
$20,000 to $50,000	0.15	0.63	0.27	0.23	0.50
Less than $20,000	0.31	0.73	0.37	0.33	0.53

in line with expectation that owners commonly pay from two to six times as large a property tax as that which tenants pay. Their property tax payments commonly range between 50 cents and $1 per $100 of sales as compared with 10 cents to 40 cents per $100 in the case of tenants.

For comparison with other kinds of taxes, the ratio paid by owners seems best qualified, on the reasonable assumption that tenants on the average must pay about the same total property tax as owners even though part of it is concealed within rent payments.

As will be seen from the small table below, property taxes account for a larger percentage of the sales volume of manufacturing industry and retail trade than they do of wholesale trade, perhaps because wholesalers' fixed assets include neither the costly equipment of manufacturing nor the expensive location of retailing. The fact that property taxes are one-third of the total payments of retailers, but considerably less than that proportion of the total in the wholesale and manufacturing fields, reflects the fact that retailers' relations are primarily with the local government, which is chiefly supported by property taxes.

PROPERTY TAX PAYMENTS BY OWNERS

	% of Tax Payments	% of State and Local Payments	% of Sales
Manufacturing	23	74	0.76
Wholesaling	27	38	0.40
Retailing	33	47	0.67

BUSINESS FRANCHISE AND CHAIN-STORE TAXES—Tax payments under this heading were reported by only one-quarter of the contributing manufacturers and wholesalers, and by so few independent retailers that no averages were attempted in the retail field. Chain-store taxes bear only on retail chain organizations, from which the returns are not yet numerous enough to permit analysis in the preliminary study. The result is that business franchise taxes are a very minor item, amounting to less than 0.1 per cent (in all but a few cases less than 0.05 per cent) of the sales volume of manufacturers and wholesalers.

INTERNATIONAL

THE total amount of Federal, State, and local taxes paid by manufacturers last year, measured against their aggregate sales, was 3.3 per cent; by wholesalers, 1.5 per cent; and by independent retailers, 2.03 per cent.

LICENSES AND MISCELLANEOUS TAXES—All other miscellaneous taxes requested on the questionnaire schedule yield only a minor portion of revenue whether it be Federal, State, or local. However, these odds and ends of taxes are fairly numerous. Some payment was reported by half of the manufacturers, and by 70 per cent of the wholesalers and retailers. Comments from contributors suggest that in most cases, the item consists largely of license taxes on sales and delivery automobiles, and licenses paid by restaurants, drinking places, and other types of enterprise subject to public inspection and regulation. Some reports include gasoline taxes on fuel used.

The average payment as a percentage of sales works out about three times as large in the case of wholesalers and retailers as it does in the manufacturing field, where it is less than 0.1 per cent. Perhaps because licenses are fixed fees no matter how large the sales volume of the establishment, the payment is quite often regressive in relation to the size of enterprise, with the largest relative payments reported by small concerns (table VI).

The Taxation of Industries

The largest tax payments in relation to sales are found in the iron and steel products, building materials, and machinery industries, which are characterized by a slow turnover of inventory and a large fixed investment in plant and equipment. Lightest payments, according to the present preliminary returns, are reported by the food industries, chemical, drug, and paint manufacturing, and by producers of durable and semi-durable consumer goods, where the turnover of inventories is usually high, and equipment investment often nominal.

A number of logical, but not too obvious, variations appear in the detail of tax ratios for the several industries. The first group is the food industries, which pay out an exceptionally small proportion of sales in Federal income taxes. Since food is ordinarily a low margin, high turnover line, both the gross profit and net profit are likely to be small in comparison to sales, and a small income tax computed on the sales base may indicate a fairly satisfactory return on the net worth invested in these enterprises. Doubtless for similar reasons, State income tax payments are relatively lower than in most other industrial groups.

Property taxes in the food group average the lowest ratio to sales reported by any industry in both tenant

and owner groups. It happens that over 80 per cent of the reporting taxpayers in the food group own their own plants. Most obvious supposition is that many food processing plants are, by necessity or good management, located in rural communities where property values and assessment ratios are relatively moderate. Also, some of these plants handle highly perishable commodities, the nature of which prohibits large taxable inventories.

EWING GALLOWAY

EMPLOYERS' Social Security payments were about 1 per cent of sales for manufacturers, one-third of 1 per cent for wholesalers and independent retailers; highest percentage was in printing and publishing.

One additional comment applies to manufacturers' property assessments in general. The costs and values of factories and machinery are less familiar to many assessors outside the large industrial cities than the valuation of residential and commercial property. To the extent that that is so, assessment on industial property may be low oftener than high, relative to other assessments.

The low ratio of Social Security taxes, 0.58 per cent of sales, in the food industries is likewise related to low margins. Cost of material is commonly a higher percentage of sales, and labor or "value-added-by-manufacture" a lower percentage, than in most other industries. Hence a tax based on payrolls would consume a small proportion of sales.

Manufacturers of building materials, with one of the highest tax payment ratios of any of the eight industrial groups, 4.01 per cent of sales, offer a sharp contrast to food manufacturing in a number of respects. Federal corporation income taxes took more than three times as large a percentage of sales volume from this industry as from the food industries in 1938. This average is the result, not of a few freakishly high tax payments, but of general concurrence among the reports.

Many of the industries grouped under building materials, such as cement and glass, involve a large fixed plant investment in relation to the annual output; hence a rate of tax payment, which might seem to indicate a handsome net profit on the sales volume, may represent only a moderate return on heavy capital investment. These same industries also run to a relatively low cost of raw materials and a heavy labor content in the finished product, so that Social Security taxes account for twice as large a percentage of sales as in the food industry. The proportion of sales paid out in State and local taxes is a little above average in the building material lines, mainly the result of property taxes on substantial plant investment.

The manufacturers of other durable and semi-durable consumer goods hit about the happy medium in tax payments, 3.12 per cent of sales, though they are doubtless unhappy about paying. This group includes such lines as manufacturers of textiles and clothing, furniture, leather products, jewelry, silverware, tires and other rubber goods. The small, unincorporated manufacturing plants in these industries escape with a relatively light Federal income tax burden of 0.12 per cent of sales for the reason that many small makers of apparel and other highly competitive goods exist in an unsatisfactory but not unbearable business purgatory where the proprietor earns a living but no true profit. Many of these smaller organizations carry forward in rented quarters, where the property tax burden on inventory and equipment is relatively light. However, property taxes on factories owned in these industries are about in line with the average for manufacturing.

The printing and publishing trade has been separated from other manufacturing because it involves reports from many small organizations, whose business is retail in nature of its contact with the consumer (and with sales taxes in a number of States) yet is undoubtedly a manufacturing operation with a high labor content and correspondingly a heavier Social Security tax payment than any other industrial group: 1.51 per cent of sales.

This is the only industrial group in which renters constitute the majority of the reporting concerns—about two-thirds as compared with one-third in the other seven groups, but the owners average larger in size and sell about 75 per cent of the volume. Using a weighted average of the tax ratios reported by both tenants and owners, the total State and local payments of printers, 1.02 per cent of sales, are identical with the average for other manufacturers.

The reporting manufacturers of chemicals, drugs, and paints cannot be considered as an adequate sample of their respective industries, since only 95 usable returns are available in this group and returns from the very large members of these industries are too few to be representative. The figures are presented for what interest they may hold, and later returns will serve to

confirm or deny the present suggestion of lower-than-average tax ratios in this group.

The manufacturers of iron and steel products whose experience forms the basis for these averages, make a wide variety of light and heavy fabricated products, but do not include any of the primary steel producers, most of whose reports are not yet available. Exceptionally heavy payments on account of Social Security, property taxes, and Federal income taxes, together with substantial amount of other taxes, total well over 4 per cent of sales volume, highest reported by any industrial group. Furthermore, the comment might be ventured that almost all of this burden consists of taxes not commonly regarded by economists as "shiftable." However, the majority of concerns are without doubt managing to consider taxes a part of cost and price in the long run, for the industry has contrived to stay in business.

The tax story told by makers of machinery resembles in general that of the iron and steel group, but practically all of the reported taxes—especially owners' property tax payments of 0.73 per cent of sales—are somewhat below the iron and steel industry ratios, hence yield a slightly smaller total.

No breakdown of wholesaling by lines or groups of trades has been attempted in this preliminary tabulation, but it is hoped that such data will be available in the final report.

Wholesalers in general pay taxes in about the same proportion of sales as the least taxed retail groups, such as food. However, gross margins in wholesaling are generally narrower than in retailing and small tax payments in relation to sales might, in comparison with the margin available to meet expenses, turn out to be higher than the retail ratio of taxes to gross margin.

A lower ratio of State sales tax payments than is reported by retailing is natural in view of the fact that only a few States impose a sales tax at the wholesale stage of distribution, and retail sales by wholesalers are a minor factor. The figure for wholesaling is 0.49 per cent of sales. Property taxes paid by both owners and tenants among wholesalers are below the averages of either manufacturers or retailers. Wholesalers' Social Security payments of 0.35 per cent of sales are more nearly in line with the retailers' experience.

Both Federal and State income tax payments by wholesalers average about the same ratio to sales as the low among manufacturing groups and the medium among retail groups.

Among independent stores in retail trade, by far the largest taxes in proportion of sales are paid by eating and drinking places, followed at a distance by the retailers of drugs, stationery, tobacco, etc., and retailers of furniture, building materials, apparel, and other durable consumer goods, except automobiles. Relatively light ratios of taxes to sales prevail among food trades, motor vehicle dealers, and rural stores handling farmers' needs.

EWING GALLOWAY

SALES and excise taxes were 0.09 per cent of sales for manufacturers, 0.49 per cent for wholesalers, and 0.71 per cent for the independent retailers.

Food retailers, although tied with motor vehicle dealers (discussed later) at 1.4 per cent of sales for the record of lowest tax payments, arrived at that result because of somewhat different legal and economic factors. Federal and State income tax payments tend to be a small proportion of sales, for a twofold reason: (1) food retailing includes an exceptional number of small units, which enjoy no profit on which to pay income tax; (2) a narrow gross margin, small net profits on sales, and a correspondingly small income tax may indicate a relatively satisfactory return on investment, because of the high turnover in these lines.

Sales tax payments by food retailers tend to be low because of the prevalent practice of exempting food from State and local sales taxes. Property taxes paid by food retailers who own their stores are relatively low because store ownership is more common in secondary trading centers where property values are low, while rental is more common in the case of those stores on main shopping streets.

Eating and drinking places offer sharp contrast to food retailing, with a total tax payment ratio of 2.9 per cent —more than twice as large. Social Security taxes absorb two and one-half times as large a percentage of the "take" as the average for all retailing, for the simple reason that the payroll is from two to four times as large a percentage of sales. Liquor licenses run up the license and miscellaneous tax payments in a similar manner; and, doubtless, liquor also accounts for the high sales tax ratio.

The next group of retailers supplying the public with miscellaneous, small convenience, and consumption goods includes the drug, stationery, book, newsdealer, and florist trades. Their total tax ratio of 2.3 per cent absorbs only a slightly larger percentage of sales than is shown by the average for all reporting retailers. This difference is almost entirely the result of high property taxes on downtown and corner locations, necessary for this type of retailing. For some unknown reason, they also come in for slightly higher

State income tax payments than any other group of retailers, but as previously noted this is not a large item of taxation in any case.

Gasoline and oil retailers pay a little less than the average of 2 per cent of sales in taxes, and the ratio would be lower but for a high ratio of sales tax payments. Although all States now tax gasoline, only a few collect the tax at the retailing stage rather than at point-of-entry or wholesaling stages. About half of the reporting retailers are affected by these regulations and pay all of the dollar volume of tax reported under this heading, while the remaining half pays none. Except during the intermittent price wars which afflict this trade, it is commonly supposed that these gas taxes are passed on to the consumer.

Apparently the filling station business was not outstandingly profitable for these independent operators in 1937, for less than one-fourth of them had to pay installments on a Federal income tax during 1938. The low rate of payment by partners and proprietors is characteristic for the unincorporated majority. More than half of the contributors carry on in leased stations, where their property tax burden is limited to an assessment on a quick turning stock of gasoline, oil, and accessories. Moreover, so many of them are one-man enterprises or partnerships that the Social Security tax burden is frequently zero or negligible.

Country general stores and other retailers supplying farmers' needs are among the least taxed of retail groups. They pay 1.6 per cent of sales. This may be partly because the food sales tax exemptions, previously mentioned, apply to a considerable part of their volume; partly because farm implements, being capital or "production goods," are quite commonly exempted from sales tax, and, lastly, because that portion of their business which consists of assembling farm products for resale is also exempt, making their sales tax payments the lowest recorded by any retail group. Although corporate units form a substantial majority of the rural stores, most of them are apparently small enough to be exempt from the unemployment phase of the Social Security program, and their Social Security tax is a lower percentage of sales than is paid by any other retail group.

Furniture

Total tax payments of 2.4 per cent of sales by furniture and house-furnishings dealers are somewhat in excess of the retail average, the result of a high Federal income tax ratio and high property taxes. Federal tax payments which seem to indicate substantial profits on sales may actually be evidence of less-than-average return on net worth because of the exceptionally slow turnover of furniture inventories and receivables. The relatively high property tax paid by owners is probably inevitable in a trade requiring large display space in a favorable location.

Building materials, hardware, and fuel retailers pay out 2.8 per cent of sales in taxes, a larger ratio than any other group of retailers except those affected by special liquor licenses. Relatively heavy income tax payments can be accounted for in the same manner as those of furniture retailers, and the high property tax payments of renters indicates that a substantial proportion of the assessment is levied against the inevitably large stocks such as lumber, fuel, etc., which may be exceptionally visible to an assessor.

Motor vehicle dealers, as previously noted, are tied with food retailers for the record low of 1.4 per cent of sales for total tax payments. Property tax payments reported by both owners and renters are relatively small, since the mobility of customers encourages location outside congested retail districts, away from high land values. The moderate Social Security tax payments which they report, are astonishing in view of the substantial number of workers employed in the shop. Their sales tax payments are somewhat below average, because the law can find the customer with the goods and tax him directly in the form of vehicle licenses. Lastly, the low Federal income tax payments recorded by the majority—which are corporations—are apparently related to the same factors discussed in connection with food retailing. Average sales volume per dealer is high and based on a limited investment in display and demonstration models. Finance companies trot off contentedly with most of the receivables, so that a low indicated net profit on sales may be a fairly satisfactory return on invested capital.

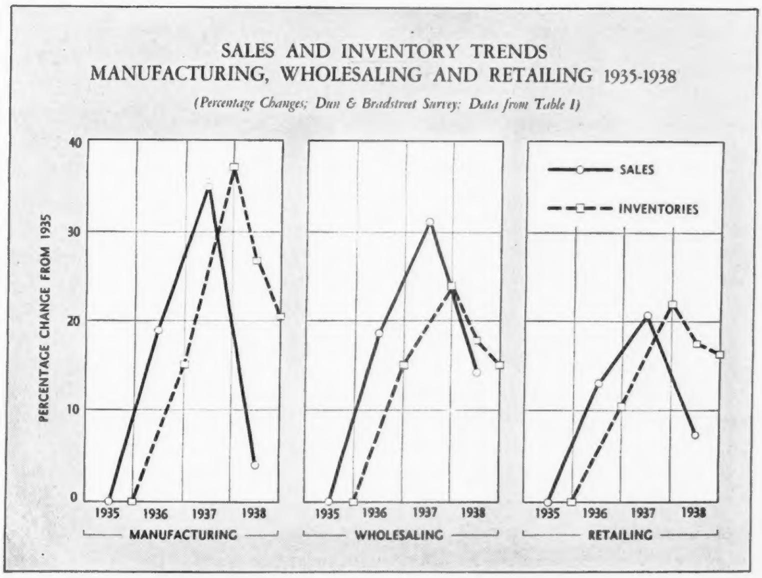
The last group of retailers handle semi-durable and durable consumer goods, such as apparel, jewelry, and automotive accessories. Their total tax payments of 2.5 per cent of sales are somewhat in excess of the retail average, since most of these lines require fairly expensive locations, and these are reflected in property taxes. Taxes paid on personal property by renters in such lines as jewelry retailing also run high because slow turning stocks are large in relation to sales volume. Their relatively high Social Security tax payments reflect the need for a considerable sales force of relatively high quality.

In all this there is no discussion of the broad political and social problem of government budgets, of the manner and amounts in which the money collected in taxes is disbursed by Federal, State, and local governments. These other fields are names on a map of a broad territory of discussion over which it is the right and duty of the voter and taxpayer to roam. It is the function of the present Survey to furnish him with a better background for comprehending and for analyzing the arguments he finds there.

In the final report of this Survey in the June Dun's Review, there will be estimates of the dollar volume of each of these categories of taxation borne by business or collected through business, estimates of geographical differences in business taxation, and treatment of various other phases of the problem.

SURVEY OF BUSINESS TRENDS—1938
SALES AND INVENTORIES

A PRELIMINARY REPORT



TO THOSE who seek the solutions of business and economic problems, these years seem to be fraught with momentous change. There is an increasing realization of the usefulness of every sort of data that may guide both current operations and examination of the economic structure. Statistics of business are more and more used by business men; the need is increasingly apparent.

To shed further light upon the workings of our complicated business machinery, the DUN & BRADSTREET "Survey of Business Trends" is carried on as part of the organization's program of economic research. The first report of this year's survey (DUN'S REVIEW, March, 1939, page 5) included preliminary estimates of general trends of sales and inventories in three broad fields of business: manufacturing, wholesaling, and retailing. It analyzed separately the trends in 16 large retail trades in which sufficient returns had been received at the time of tabulation to give a reliable picture of the trend.

In this second report the manufacturing and wholesaling sectors of the business world receive attention. Trends of sales and of inventories for 28 industries and for 12 wholesale trades are presented and interpreted.

The final report, due to appear in the May number, will include many additional returns which perennially become available after the income tax deadline on March 15. There the trend of sales and inventories will be estimated for each industry and trade from which a sufficient number of returns have been received—probably about 100 lines. There will be estimates for a number of retail trades not previously discussed, as well as final revision of the 16 retail trade estimates previously reported.

With the first report of the results of the survey there appeared a brief discussion of the general background of this research activity. That has not been repeated here and should be reviewed by any who are especially interested. Among the points reviewed are the changing price levels underlying the dollar trend figures; the fact that business cycles do not obligingly turn up or down at the end of calendar years; and the differences in regional conditions which underlie the movement of national averages.

Not all the Titans of our commercial world have as yet audited the 1938 news from their wide empires, but many bulletins have come in since

I. Sales and Inventory Trends for Manufacturing, Wholesaling and Retailing, 1935-1938

(Revised Dun & Bradstreet Estimates)

SALES	Census Totals 1935 *Millions of Dollars*	Trend 1935 to 1936 *Per Cent Change*	Revised Estimate 1936[1] *Millions of Dollars*	Trend 1936 to 1937 *Per Cent Change*	Revised Estimate 1937[1] *Millions of Dollars*	Trend 1937 to 1938 *Per Cent Change*	Revised Estimate 1938[3] *Millions of Dollars*
Manufacturing	44,994	+ 19	53,453	+ 14	60,710[2]	— 23	46,816
Wholesaling . .	17,662	+ 18	20,894	+ 11	23,154	— 13	20,144
Retailing	33,161	+ 13	37,472	+ 6	39,992	— 11	35,593
INVENTORIES (End of Year)—							
Manufacturing[4]	8,653[4]	+ 15[4]	9,951[4]	+ 19[4]	11,851[4]	— 12	10,417
Wholesaling[4] .	2,054	+ 15	2,368	+ 7	2,543	— 7	2,365
Retailing[4 5] . . .	3,344	+ 10	3,692	+ 10	4,077	— 5	3,882

[1] "Revised Dun & Bradstreet Estimates" are estimates recorded in last year's Survey of Business Trends (Dun's Review, May, 1938) revised in some part after conferences with representatives of the U. S. Bureau of the Census and the U. S. Bureau of Foreign and Domestic Commerce on the basis of Bureau of Census statistics for 1937 which have since become available. In general the method used was to revise the 1937 Dun & Bradstreet estimates and then interpolate for 1936 according to previously established trends.

[2] U. S. Census of Manufactures: complete coverage, not an estimate.

[3] These estimates are preliminary and subject to further revision after later tabulation of a larger number of returns. They are based on returns from 3,941 manufacturers with sales of $6,992,379,000; 1,577 wholesalers with sales of $646,095,000; 7,429 retailers with sales of $439,830,000.

[4] Computed from Census. In the case of manufacturing inventories for 1935, 1936, and 1937 some revision was made with the help of income statistics of the U. S. Bureau of Internal Revenue.

[5] Inventory figures pertain to independents only.

the first report of the Survey was prepared. Preliminary estimates of sales and inventory trends can now be made for 28 industries and for 12 wholesale trades.

According to direct returns from about 3,900 manufacturing enterprises and additional data from trade associations and other sources, the 1938 sales volume for all industry declined 23 per cent below 1937. On this basis the dollar volume of production for 1938 is estimated at $46,816,000,000 as compared with $60,710,000,000 for 1937.

From early returns a 15 per cent sales decline for manufacturing was estimated (Dun's Review, March, 1939, page 5). The revised estimate rests on the experience of more than twice as many manufacturers with twice the sales volume available for the earlier estimate. Furthermore, privately compiled figures, made available by trade associations, have been helpful in checking the results.

Similarly, inventory curtailment by industry during 1938 is now estimated at 12 per cent instead of 8 per cent as published in March. On the revised basis the dollar value of manufacturers' stocks at the close of 1938 is estimated at $10,417,000,000, compared with $11,851,000,000 at the end of 1937.

Among manufacturing industries, 1938 sales dropped below 1937 most markedly in those lines, such as steel, automobiles, wool and other textiles, which we undoubtedly need but could postpone, while sales remained almost at the 1937 level in two industries whose products we may not need but couldn't think of postponing—tobacco and soft drinks. This liberty to be irrational is one of the chief boons of democracy. The most radical curtailments of inventories were reported by the heavy machinery and men's clothing industries, while inventories actually increased somewhat, contrary to the general trend, in the reporting tobacco and lumber concerns.

Although the size of the sample has more than doubled, the sales decline of 13 per cent for wholesalers remains as published last month. Based on the experience of 1,600 reporting concerns, the aggregate wholesale sales volume for 1938 is estimated at $20,144,000,000 as compared with $23,154,000,000 for 1937. However, the additional returns from wholesalers have caused a slight change in the estimate of inventory decreases by wholesalers during 1938—from 8 per cent to 7 per cent.

Two of the 12 wholesale trades analyzed in this preliminary table maintained sales in 1938 at about the 1937 level—petroleum products and tobacco products. The sharpest decline was suffered by the wholesale electrical appliance trade, with 26 per cent smaller sales in 1938 than in the previous year. The wholesale tobacco trade was the only one closing 1938 with inventories larger than at the beginning of the year, while the most marked curtailment of stocks occurred in the wholesale electrical trade.

Figures from a voluntary sample of contributors are likely to show a more optimistic picture of trends than would be true of their respective trades as a whole; and the estimates of retail sales trends were compensated for that tendency.

In the fields of manufacturing and wholesaling, large operators commonly

GEARS—EWING GALLOWAY

sell a substantial part of the total industry volume. As a basis for estimates, their business fortunes are therefore more representative than would be those of large retailers. Nevertheless, the policy is pursued in the tabulations presented here, of presenting a "compensated estimate," or "best guess," with respect to the trend of sales in addition to the actual trends shown by the sample of reporting concerns.

The compensated estimates of manufacturers' and wholesalers' sales trends are the result of conferences with trade association executives and other qualified observers in the various industries and trades (tables II and IV).

No compensated estimates seem necessary or possible in the case of inventory trends. Inventory figures are presented only as computed from the

II. Comparison of Sales Trend Estimates for 28 Industries, 1937-1938

Industries	Percentage Change Year 1937 to Year 1938			Sales in Millions of Dollars	
	D. & B. Survey	U. S. Bureau of Foreign and Domestic Commerce	D. & B. Survey Compensated	1937	1938
FOOD					
Beverages—Non-Alcoholic	— 1	..	— 1	277	274
Confectionery	— 10	— 7	— 7	465	432
Meat Packing (Fiscal year ends October 31)	— 9	— 9	— 9	3,128	2,846
Miscellaneous Food Manufacturing	— 10	— 12	— 11	1,693	1,507
TEXTILES AND CLOTHING					
Woolen and Worsted Goods	— 40	..	— 36	1,078	690
Cotton Textiles	— 23	..	— 24	1,274	968
Silk and Rayon Goods	— 21	..	— 20	325	260
Men's and Boys' Clothing and Furnishings	— 12	— 19	— 17	1,183	982
Women's and Children's Clothing and Accessories	— 8	— 10	— 10	1,372	1,235
Miscellaneous Textiles and Textile Products	— 21	— 23	— 21	1,402	1,108
FOREST PRODUCTS					
Lumber and Planing Mill Products	— 18	..	— 18	1,176	964
Furniture	— 20	— 23	— 27	664	485
PAPER, PRINTING AND PUBLISHING					
Paper and Paper Products (except boxes)	— 16	— 5	— 16	1,404	1,180
Boxes, Paper	— 17	— 19	— 18	409	336
Printing and Binding	— 7	— 13	— 10	904	814
CHEMICALS AND CHEMICAL PRODUCTS	— 14	— 10	— 14	2,395	2,060
LEATHER AND LEATHER PRODUCTS					
Shoes	— 13	— 10	— 13	902	785
Miscellaneous Leather Products	— 12	— 20	— 14	195	168
STONE, CLAY AND GLASS					
Stone and Stone Products	— 19	— 18	— 19	439	355
Clay and Glass Products	— 13	— 18	— 13	1,004	874
IRON AND STEEL PRODUCTS					
Iron and Steel Manufacturing	— 44[1]	— 38	— 44	4,168	2,334
Iron and Steel Products	— 27	— 38	— 27	1,639	1,196
Foundries	— 35	..	— 35	397	258
Hardware	— 27	— 26	— 27	982	717
MACHINERY AND TRANSPORTATION EQUIPMENT					
Heavy Machinery	— 23	— 28	— 25	2,456	1,842
Automobiles	— 47[2]	..	— 47	2,847	1,509
MISCELLANEOUS					
Non-ferrous Metal Products	— 26	— 30	— 29	1,586	1,126
Tobacco Products	— 1	..	— 1	1,277	1,260
ALL OTHER MANUFACTURING	— 17	..	— 23[3]	23,669	18,249
TOTAL MANUFACTURING	— 15	— 18	— 23	60,710	46,816

[1] Estimated from published indexes.
[2] Figures from Automobile Manufacturers' Association.
[3] Assumed to be the same as the average for all industries tabulated separately.

Survey sample and appear in tables III and V.

The presence of "industrial giants" in the statistical corral lends particular significance to one refinement of method used in this Survey. Each size group of concerns in any given industry is allowed in these computations only its proper relative importance as shown by Census and Treasury Income statistics. For instance, concerns with sales volumes of more than $10,000,000 do 90 per cent of the business in the tobacco industry, but only 20 per cent of the total in the men's clothing industry. If, instead of the method used, the 1937 and 1938 sales volumes of the reporting concerns in any industry

III. Sales and Inventories for 28 Industries, 1935-1938

(Per Cent Changes Based on Aggregates of Dollar Volume Reported to Dun & Bradstreet, Inc.)

Industries	Annual Sales — Estimated Trends 1935-1937 Per Cent Change	Annual Sales — Estimated Trends 1937-1938 Per Cent Change	Annual Sales — Reporting 1938 Sales Less than 1937 Per Cent of Cases	Inventories — Estimated Trends — End of 1935 to End of 1937 Per Cent Change	Inventories — Estimated Trends — End of 1937 to Middle of 1938 Per Cent Change	Inventories — Estimated Trends — End of 1937 to End of 1938 Per Cent Change	Inventories — Reporting Inventory Decreases During 1938 Per Cent of Cases
FOOD							
Beverages—Non-Alcoholic	+90	−1	50	+66	+3	−2	43
Confectionery	+36	−10	71	+41	+7	−13	53
Meat Packing (Fiscal year ends October 31)	+19	−9	72	+17	..	−18	62
Miscellaneous Food Manufacturing	+19	−10	63	+25	−4	−5	50
TEXTILES AND CLOTHING							
Woolen and Worsted Goods	+17	−40	81	+4	−17	−11	67
Cotton Textiles	+16	−23	86	+23	−10	−12	64
Silk and Rayon Goods	+14	−21	78	+23	−16	−15	61
Men's and Boys' Clothing and Furnishings	+16	−12	77	+27	−9	−29	83
Women's and Children's Clothing and Accessories	+21	−8	69	+19	−2	−8	55
Miscellaneous Textiles and Textile Products	+26	−21	76	+31	−3	−20	60
FOREST PRODUCTS							
Lumber and Planing Mill Products	+54	−18	77	+33	−4	+3	45
Furniture	+42	−20	86	+32	−3	−4	56
PAPER, PRINTING AND PUBLISHING							
Paper and Paper Products (except boxes)	+36	−16	81	+36	−4	−4	68
Boxes, Paper	+31	−17	89	+16	−6	−12	74
Printing and Binding	+26	−7	52	+20	−5	..	..
CHEMICALS AND CHEMICAL PRODUCTS	+33	−14	70	+43	−4	−15	63
LEATHER AND LEATHER PRODUCTS							
Shoes	+20	−13	94	+33	−11	−14	61
Miscellaneous Leather Products	+40	−12	79	+37	+2	−8	69
STONE, CLAY AND GLASS							
Stone and Stone Products	+50	−19	59	+23	−9	−11	46
Clay and Glass Products	+48	−13	73	+38	−11	−13	51
IRON AND STEEL PRODUCTS							
Iron and Steel Manufacturing	+95	−44[1]	..	+50	−13	..	..
Iron and Steel Products	+65	−27	86	+47	−10	−13	64
Foundries	+89	−35	90	+31	−12	..	..
Hardware	+51	−27	81	+43	−7	−10	55
MACHINERY AND TRANSPORTATION EQUIPMENT							
Heavy Machinery	+77	−23	84	+63	−17	−22	61
Automobiles	+38	−47[2]	..	+40	−38	..	..
MISCELLANEOUS							
Non-ferrous Metal Products	+64	−26	81	+45	−11	−18	55
Tobacco Products	+19	−1	46	+20	+5	+3	43
ALL OTHER MANUFACTURING	+39	−17	..	+37	+3	−18	..
TOTAL MANUFACTURING	+39	−15	74	+37	−8	−12	57

[1] Estimated from published indexes. [2] Figures from Automobile Manufacturers' Association.

were totalled up just as received, the report of one very large corporation might, in some instances, comprise 90 per cent of the sample, when the proper importance of large corporations in that industry is actually much smaller. Big business domination in statistics is more frequent even than in real life and easier to discern.

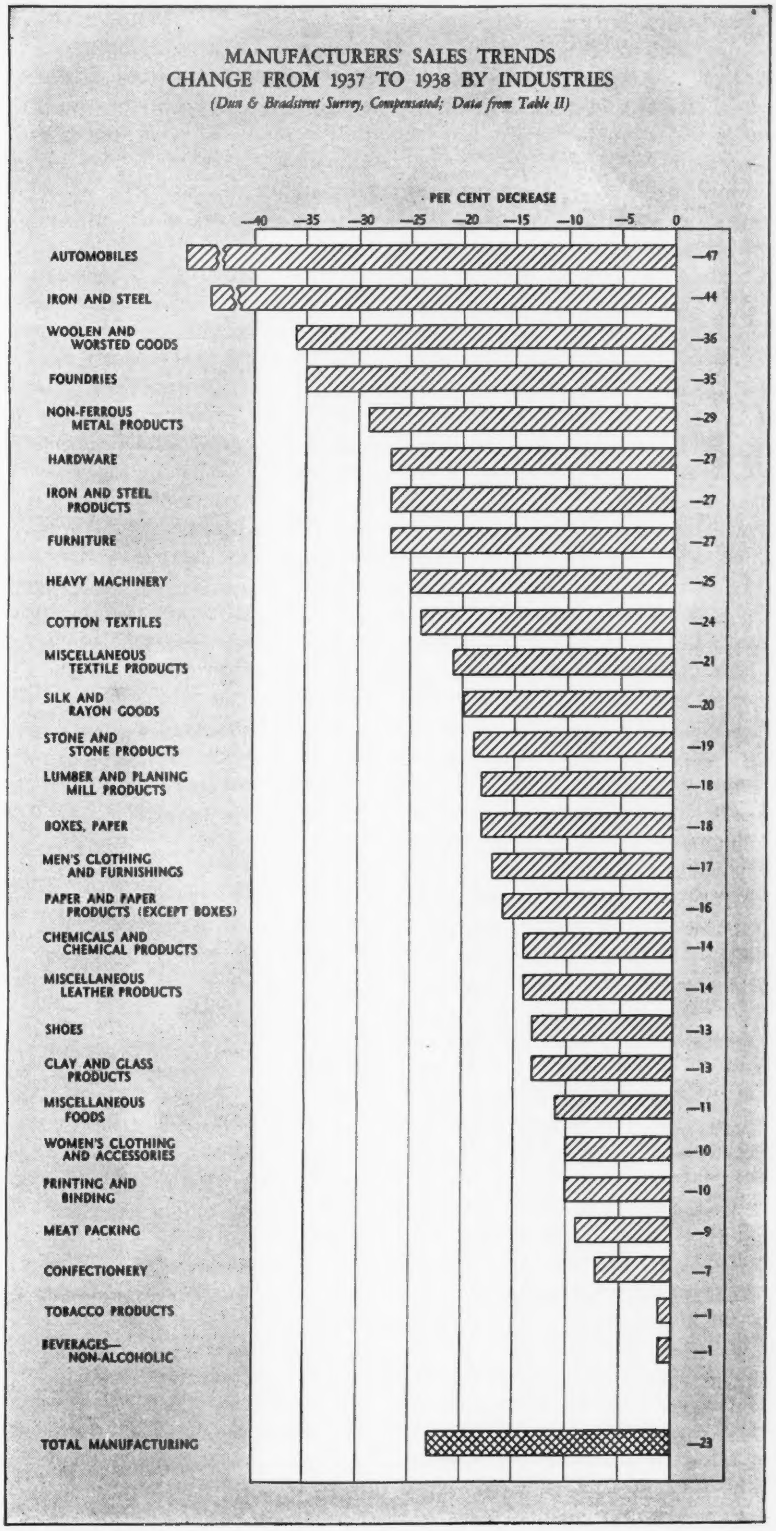
Manufacturing

Food Industries—A decrease of 9 per cent in meat packers' dollar volume for the fiscal year ending October 31, 1938, is believed to be accurate as reported, since that earlier fiscal closing date has resulted in the availability of figures from concerns representing over two-thirds of the industry's production.

The reporting confectionery manufacturers curtailed inventories more rapidly than sales declined and this is in accord with trade observation. In deference to Department of Commerce figures, gathered from a broad sample of the industry in co-operation with the National Confectioners' Association, the compensated estimate shows a more favorable trend than the reporting sample of concerns.

Textiles and Clothing—Among six clothing and textile groups shown in this preliminary report, the most radical drop in sales is reported by the long-suffering wool textile industry, and here the compensated estimate showing 1938 sales 36 per cent below 1937, on the basis of trade association data, is 4 per cent more favorable than the record of the reporting sample of concerns. A considerable part of the decline can be traced to lower prices. Inventories, however, were reduced only one-third as rapidly as sales volume.

Cotton textile sales dropped off less rapidly than wool and likewise the decline is largely the result of lower prices. It may also be in both of these instances that failure of reported inventory figures to follow downward in step with sales indicates that not all inventory values were adjusted downward in year-end balance sheets.



The reported 21 per cent decline in sales of silk and rayon textile weavers is closely in accord with trade observations. However, inventories in this industry fell off more rapidly than for either cotton or wool textiles.

According to observations by the trade, men's and boys' clothing sales were down by about 25 per cent, while the sales of furnishings declined only about 10 per cent. Therefore, the compensated estimate of 17 per cent more nearly reflects the sales experience of this industry than the 12 per cent decline reported by the concerns in the sample. Likewise, it follows very closely the Department of Commerce estimate of minus 19 per cent. Inventories nose-dived faster than sales, being off 29 per cent at the end of 1938 from the 1937 year-end level. This represents the most severe inventory decline reported by any of the industry groups.

The compensated estimate of a 10 per cent decline in manufacturers' sales of women's clothing, is the composite result of rather variant estimates for the several specialty lines within the industry. Trade reports indicate that women's coats and dresses slumped most, misses' and children's apparel and wash dresses somewhat less, sportswear hardly at all, while the output of skirts and blouses is believed to have been larger in 1938 than in 1937.

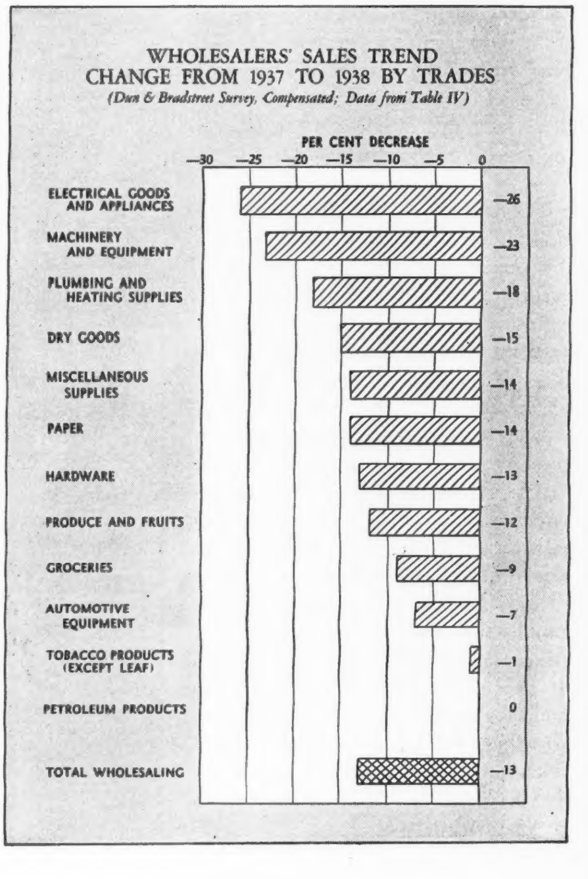
Lumber and Furniture—The reports of the contributing lumber mills indicate an 18 per cent decrease in sales, which figure falls between two trade association estimates. The latter show a 21 per cent decline in production, but only a 15 per cent decline in shipments. Whereas the contributors held larger inventories at the close of 1938 than at the beginning, trade association reports on holdings indicate a slight decrease. The valid conclusion from such a minor disagreement is that inventory holdings of lumber producers did not change much during 1938. A broader sample of financial statements will be available as a basis for the estimates in our final report.

Volume in the furniture industry, after a most encouraging experience in 1937, was down 28 per cent according to figures assembled by the industry's trade associations. Our compensated estimate is slightly more favorable on the basis of the experience of small upholsterers, many of whom are not members of the large associations.

Paper, Printing and Publishing—Sales of the reporting manufacturers of paper and paper products (except boxes) were 16 per cent lower in 1938 than in 1937. The fact that their inventories decreased by only one-quarter as much may tie in with trade observations that production did not retreat as rapidly as sales. Reports from the paper box industry indicate a somewhat similar trend with 18 per cent lower sales in 1938 and more unanimity in reporting the bad news than occurred among the concerns of all but two other industries. Inventories had been curtailed considerably during 1938, but not as much as sales. However, three-fourths of the concerns, an unusually high proportion, reported smaller year-end holdings than in 1937.

Since the printing and binding industry includes a large number of small units, the Survey sample of 387 concerns is expectedly the largest number reporting from any industry. However, their aggregate sales represent only about 2 per cent of all the printing and binding done in the country. A similarly large sample of reports collected by the Department of Commerce has about the same per cent coverage, yet they show a 13 per cent decline in sales as compared with 7 per cent among the Dun & Bradstreet sample. The compensated estimate of a 10 per cent decline is in this case a compromise since no better information will be available until the final report.

Chemicals—The present Survey estimate of a 14 per cent decline in dollar sales of chemicals and chemical products is believed to reflect reliably the experience of this industry, since statements from several of the largest producers are included. This sample of reporting chemical companies shows inventories reduced during 1938 in step with the sales trend, and, according to



IV. Comparison of Sales Trend Estimates for 12 Wholesale Trades, 1937-1938

Wholesale Trades	Percentage Change: Year 1937 to Year 1938 — D. & B. Survey	Percentage Change: Year 1937 to Year 1938 — U. S. Bureau of Foreign and Domestic Commerce	Percentage Change: First Half of 1937 to First Half of 1938—Census	Percentage Change: Year 1937 to Year 1938 D. & B. Survey Compensated	Sales in Millions of Dollars 1937	Sales in Millions of Dollars 1938
Groceries	— 6	— 10	— 9	— 9	2,288	2,082
Produce and Fruits	— 9	— 13[2]	— 14	— 12	1,201	1,057
Dry Goods (general line)	— 13	— 15	— 25	— 15	1,153	980
Hardware	— 13	— 14	— 19	— 13	561	489
Petroleum and Petroleum Products	+ 3	0	..	0	177	177
Automotive Equipment	— 5	— 7	— 17	— 7	527	490
Machinery and Equipment	— 23	— 19	— 30	— 23	614	473
Plumbing and Heating Supplies	— 14	— 21	— 24	— 18	380	312
All Other Miscellaneous Supplies	— 11	— 26	— 25	— 14	680	585
Electrical Goods and Appliances	— 26[3]	— 26	— 33	— 26	960	710
Tobacco Products (except leaf)	+ 2	— 1	0	— 1	946	936
Paper[1]	— 14	— 12	— 19	— 14	522	449
All Other Wholesaling	— 16	..	..	— 13	13,145	11,436
TOTAL WHOLESALING	— 11	— 13	— 19	— 13	23,154	20,176

[1] Source: National Paper Trade Association of United States. [2] "Farm Products (Consumer Goods)." [3] Adjusted.

mid-year Survey estimates, practically all of this reduction was accomplished during the second half of the year.

Shoes and Leather Products—The Survey group of 36 shoe manufacturers, including some of the largest producers in the industry, were practically unanimous in reporting a downward trend of sales. Though their reported decline of 13 per cent in sales seems unduly pessimistic to some trade observers, known price declines and pair-output figures cause us to prefer it as a preliminary estimate. Information gathered by the Tanners' Council on consumption of cut shoe stock and findings would seem to indicate an 8 per cent decline in pair output. According to the reports tabulated, inventories declined during 1938 to a slightly greater extent than would have been expected from the sales trend.

Sales records in the miscellaneous leather products industries were about the same as in the case of shoes but the inventories of these industries were not curtailed as sharply as shoe manufacturers.

Stone, Clay, and Glass—Aggregate sales volume of the reporting cement and stone products concerns was 19 per cent smaller in 1938 than in the previous year. However, conditions in this industry appear to have been exceptionally spotty, with 40 per cent of the concerns in the group showing increased sales, contrary to the general trend. Inventories among this sample of concerns had not declined as rapidly as sales.

The clay and glass products group had retreated by only 13 per cent from the 1937 sales level, with inventories following closely in step.

Iron and Steel—Because annual statements from many of the large steel makers are not yet available, the preliminary estimate of the dollar trend of iron and steel sales has been arrived at by computations from tonnage and price data, rechecked with trade observers. The 44 per cent cut in sales volume for 1938 represents the most radical decline suffered by any of the industries analyzed, with the exception of automobiles. No inventory estimate has been attempted.

As is common during a downtrend, fabricators of iron and steel products apparently did not suffer as sharp a sales decline as the primary producers. A substantial sample of concerns from these industries shows aggregate 1938 sales only 27 per cent below the 1937 level and this trend has not been changed in our estimates. Inventories declined only half as rapidly as sales.

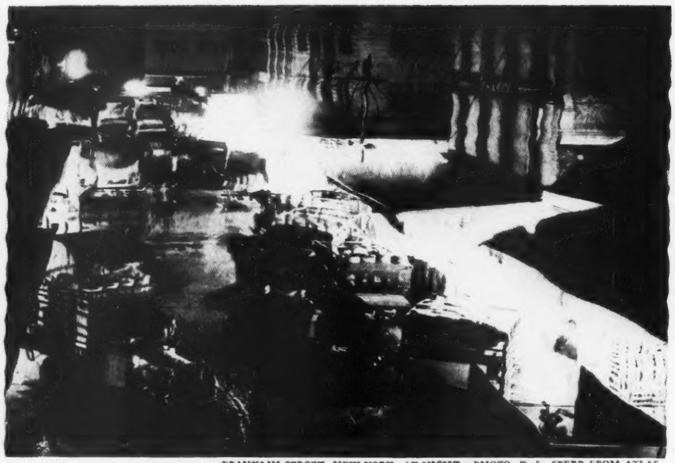
The Survey sample of iron and steel foundries was extraordinarily unanimous in reporting worse business in 1938 than in 1937, and their aggregate sales showed a decline of 35 per cent. Since this is largely a job order business, many were unable to report inventory figures and consequently an estimate would be neither safe nor of great value.

The 27 per cent decline in sales volume of the reporting hardware and tool makers is in close agreement with the recently issued Department of Commerce estimate of 26 per cent for this industry. However, inventories at the end of 1938 were reported to be only 10 per cent below the previous year end.

Machinery and Transportation Equipment—According to the reports of the manufacturers of heavy machinery, engines, turbines, etc., that industry suffered less severely in 1938 than the automobile industry. Their sales were

only 23 per cent lower than in 1937 and our estimate for the industry is minus 25 per cent. Inventories were curtailed accordingly.

The 47 per cent decline in sales reported for the automobile industry has a quality of a census figure rather than an estimate, being based on very complete trade association data. No equivalent estimate of year-end inventory holdings, however, has been possible.



FRANKLIN STREET, NEW YORK, AT NIGHT—PHOTO, P. L. SPERR FROM ATLAS

OTHER INDUSTRIES—Whereas the sales volume of the reporting producers and fabricators of non-ferrous metals was 26 per cent lower in 1938 than in 1937, inventories have been curtailed by only 18 per cent. However, examination of the character of these concerns and consultation with trade observers suggest that the estimates for the industry should show a 29 per cent sales decrease.

The record of the tobacco industry is peculiar, in that the reporting concerns include several of the large and well-known cigarette manufacturers, yet the Survey tabulation shows a 1 per cent decline in contradiction to a 1 per cent increase in tobacco revenue stamp sales. Trade observers, furthermore, declare that no price decreases have occurred that would account for this. The significant point is not the unsolved disagreement, but the fact that no appreciable change has occurred in the industry's volume. Reported inventories are slightly larger than at the end of 1937.

Wholesaling

FOOD TRADES—Although the reporting wholesale grocers sold only 6 per cent less in 1938 than in 1937 this is a trade in which many small enterprises serve the public along with the large, and there is an undoubted tendency for the successful operator to be more willing to report figures. The record of 6 per cent sales shrinkage shown by the Survey, is a safe guide to the wholesale merchant checking his own performance; but a 9 per cent decline appears to be a safer estimate of

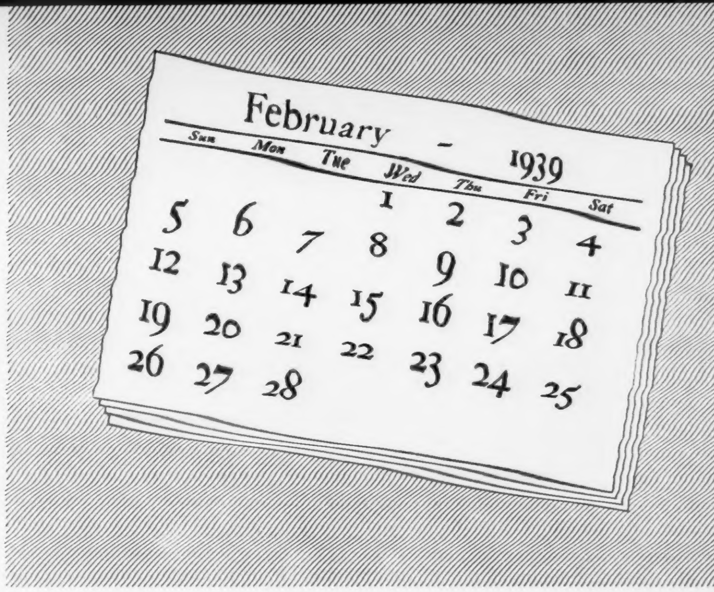
(Continued on page 48)

V. SALES AND INVENTORY TRENDS FOR 12 WHOLESALE TRADES, 1935-1938

(Per Cent Changes Based on Aggregates of Dollar Volume Reported to Dun & Bradstreet, Inc.)

	Annual Sales			Inventories			
	Estimated Trends			Estimated Trends			
Wholesale Trades	1935-1937	1937-1938	Reporting 1938 Sales Less than 1937	End of 1935 to End of 1937	End of 1937 to Middle of 1938	End of 1937 to End of 1938	Reporting Inventory Decreases During 1938
	Per Cent Change	Per Cent Change	Per Cent of Cases	Per Cent Change	Per Cent Change	Per Cent Change	Per Cent of Cases
Groceries	+18	−6	85	+16	−9	−5	64
Produce and Fruits	+23	−9	72	+3	−1	..	52
Dry Goods (general line)	+17	−13	85	+34	−10	−13	66
Hardware	+31	−13	95	+17	−1	−5	74
Petroleum and Petroleum Products	+41	+3	47	+16	−14	−6	55
Automotive Equipment	+31	−5	58	+26	−1	−5	56
Machinery and Equipment	+72	−23	78	+38	−2	−4	56
Plumbing and Heating Supplies	+57	−14	83	+19	−1	−8	56
All Other Miscellaneous Supplies	+42	−11	68	+20	−1	−5	50
Electrical Goods and Appliances	+69	−26[2]	83	+68	−11	−25	56
Tobacco Products (except leaf)	+36	+2	40	+14	−2	+4	36
Paper[1]	+23	−14	73	+17	−5	−15	64
All Other Wholesaling	+32	−16	..	+32	−8	−9	..
TOTAL WHOLESALING	+32	−11	72	+32	−5	−7	58

[1] Source: National Paper Trade Association of United States. [2] Adjusted.



THE BUSINESS DIARY
FEBRUARY · 1939

A short but an exceedingly damp month. . . . Business encouraged by more co-operative Government attitude and curbing of NLRB power by Supreme Court.

2 *British waiver permits Pan American Airways to plan overseas service in Spring.*

3 Textile workers' union quits CIO to rejoin AF of L.

4 President signs $725,000,000 work relief appropriation measure.

5 France opens border to fleeing Spanish Loyalist army.

6 Senate backs Virginia Senators by rejecting nomination of Floyd H. Roberts as district judge. TNEC initiates insurance hearings.

7 Roosevelt asks Congress for $150,000,000 additional relief appropriation.

9 Dr. Oswaldo Aranha, foreign minister of Brazil, arrives in United States for trade parleys.

10 Pope Pius XI dies.

13 Supreme Court Justice Louis D. Brandeis retires.

14 St. Valentine's Day.

15 United States court upholds dismissal of eleven defendants in Madison (Wis.) oil case.

16 Three-Judge Federal court validates constitutionality of National Bituminous Coal Act.

17 President, vacation-bound, says no new taxes are planned for business. TNEC concludes insurance inquiry.

18 Golden Gate Fair opens. Madrid government asks Britain and France to seek peace on sole basis of clemency.

20 United States files $1,000,000 anti-trust suit against eighteen automobile tire manufacturers, charging price collusion.

21 Stock Exchange raises capital fund requirement of member firms 25 per cent, effective April 1.

23 Morgenthau asks Congress for survey of taxes curbing business.

24 Hopkins, in Des Moines speech, declares recovery not reform is Government aim. Hungary ousts main Nazi party; signs anti-Comintern pact of alliance to Reich.

25 President appeals to AF of L and CIO to heal breach. James J. Hines found guilty in Schultz racket.

27 Supreme Court outlaws sit-down strikes; upsets NLRB rulings in three cases; upholds Pennsylvania milk control law.

28 Senator Wagner proposes national health program in amendment to Social Security Act. Azaña resigns as president of Spanish Republic.

RAILROAD TRESTLE BRIDGE AT JERSEY CITY—TRIANGLE PHOTO

THE TREND OF BUSINESS

PRODUCTION . . . PRICES . . . TRADE . . . FINANCE

Industry and trade appeared to be marking time during February, as neither production nor sales equalled the usual seasonal advance, but the outlook for business was considered good because of favorable factors in the general economy. Early March reports generally confirmed the optimistic attitude, although European crises proved a dampening influence.

PSYCHOLOGICAL and political obstacles to a sustained business recovery continue to predominate. Certainly the critical European situation is well-balanced by encouraging domestic forces. Business is cheered by the Government's new emphasis on recovery, by the strength of the building industry, by the continuation of Government spending. There is an abundance of cheap credit, inventories are in a generally healthy condition, consumer purchases are well-sustained, raw materials are plentiful, steel operations are being bolstered by railroad buying and orders for structural steel, and furthermore, the improvement to date has not been forced by speculation.

Industrial Production

Federal Reserve Board Adjusted Index
1923-1925 = 100

	1936	1937	1938	1939
January	97	114	80	101
February	94	116	79	98
March	93	118	79	
April	101	118	77	
May	101	118	76	
June	104	114	77	
July	108	114	83	
August	108	117	88	
September	109	111	91	
October	110	102	96	
November	114	88	103	
December	121	84	104	

The level of industrial operations did not change significantly from January to February, although increased activity would have been in line with seasonal expectations. Production of steel ingots averaged 54 per cent of capacity, approximately the same level as in December and January. The weekly average output was larger than January, but due to the short month, the total was somewhat lower. Daily pig iron production increased about 5 per cent over January, and the rate of operation stood at 54 per cent of capacity as compared with 51.5 per cent in the previous month. Machine tool orders increased considerably in February, and were reported the highest for any month since September, 1937. Year-to-year gains were rather large: about 73 per cent in steel operations, 59 per cent in iron output, and 121 per cent in machine tool orders. During the first part of March, industrial activity in general showed little change from the February level. Steel ingot production advanced to around 56 per cent of capacity.

The substantial volume of construction contracts during recent months has led to an increase in orders of construction materials. The effect has been particularly noticeable in steel, lumber,

Factory Payrolls

U.S.B.L.S. Index (Revised)
1923-1925 = 100

	1936	1937	1938	1939
January	76.7	94.4	75.0	83.2
February	76.6	99.7	76.9	85.3*
March	80.3	105.5	77.1	
April	82.3	109.3	74.6	
May	83.9	109.7	72.9	
June	84.1	107.0	70.8	
July	83.4	104.6	70.6	
August	87.1	108.2	76.9	
September	86.9	104.4	81.0	
October	92.5	104.5	83.9	
November	94.0	92.9	84.1	
December	98.8	84.2	86.6	

* Preliminary

and electrical equipment markets. Lumber production, despite the good volume of orders, decreased slightly in February, while cement production, following the improved building trend, increased considerably. Total construction awards during February failed to equal the January level by about 5 per cent, due principally to the falling off of public projects, but the total was still about 85 per cent higher than last year, according to F. W. Dodge data. Residential building was at the highest level for any February since 1929.

Automobile output fluctuated narrowly during February, still showing greater volume than usual because of the attempt to level out wide seasonal variations in production. A slight decline in output during the last week of the month was attributable to labor disputes. Advances were recorded during the first part of March, and plants operating on shorter schedules returned to a five-day week.

Consumer goods activity was generally somewhat slower during February. Advanced prices on cotton and wool, and particularly the higher price of Japanese silk, tended to curtail orders. A spurt in the purchase of cotton textiles manufactured under the lower price occurred, as sales were stimulated by heavy Government purchases for relief purposes. Cotton consumption as a whole failed to make the usual small seasonal advance. Silk deliveries declined about 19 per cent from the previous month, and a total of 33,219 bales in February compared with 40,816 in January. Rayon yarn deliveries decreased from 27,100,000 to 25,700,000 pounds in the same period. Shoe orders were doubled in February as compared with the same month last year.

Department Store Sales

Federal Reserve Board Adjusted Index
1923-1925 = 100

	1936	1937	1938	1939
January	81	93	90	88
February	83	95	88	87
March	84	93	86	
April	84	93	83	
May	87	93	78	
June	87	93	82	
July	91	94	83	
August	86	92	83	
September	88	94	86	
October	90	93	84	
November	94	91	89	
December	92	89	89	

Freight-car loadings during February registered a slight contra-seasonal decrease, but exceeded loadings for the same period of last year by about 7 per cent. Operating revenues of the railroads in February were about 10 per cent higher than a year ago. Early March saw a reduction in coal loadings, but freight traffic other than coal increased in line with seasonal expectations.

National income probably showed little net change from the January level. The BLS preliminary index of factory payrolls rose less than seasonally from 83.2 to 85.3. Cash farm income decreased considerably during the month; income from livestock and livestock products showed less of a decrease than revenue from other crops. Prices received by farmers increased on the average during February, and as a result, retail food prices rose slightly.

Wholesale Commodity Prices

U.S.B.L.S. Index—1926 = 100

Week	Dec. 1938	Jan. 1939	Feb. 1939	Mar. 1939
I	77.4	77.0	76.6	76.7
II	77.1	76.8	76.6	77.0
III	76.7	76.6	76.6	76.7
IV	76.6	76.7	76.8	
V	76.9			

Money in circulation increased from January to February, and the per capita figure rose from $50.87 to $51.44. The purchasing power of the dollar was reduced slightly; wholesale price fluctuations were narrow, while retail prices showed a small increase.

Retail trade centered about the purchase of wearing apparel as the Easter season approached. Practically all lines of trade increased in activity during March, after the less-than-seasonal expansion of the previous month. The adjusted index of department store sales fell one point to 87 in February. Rural sales increased slightly more than seasonally, mail-order sales rose moderately, and chain-store sales were well above the previous month's level. Furniture sales made a very satisfactory showing for February, running about 3 per cent ahead of 1938, while inventories were reported approximately 5 per cent lower.

Anticipating Spring demands, purchases by retailers of goods at wholesale increased during February, particularly in the apparel lines. Commitments were still fairly cautious, however, and merchants generally placed orders mainly for immediate turnover. Wholesale commodity prices in early March were at the best levels of the year.

Industrial Stock Prices

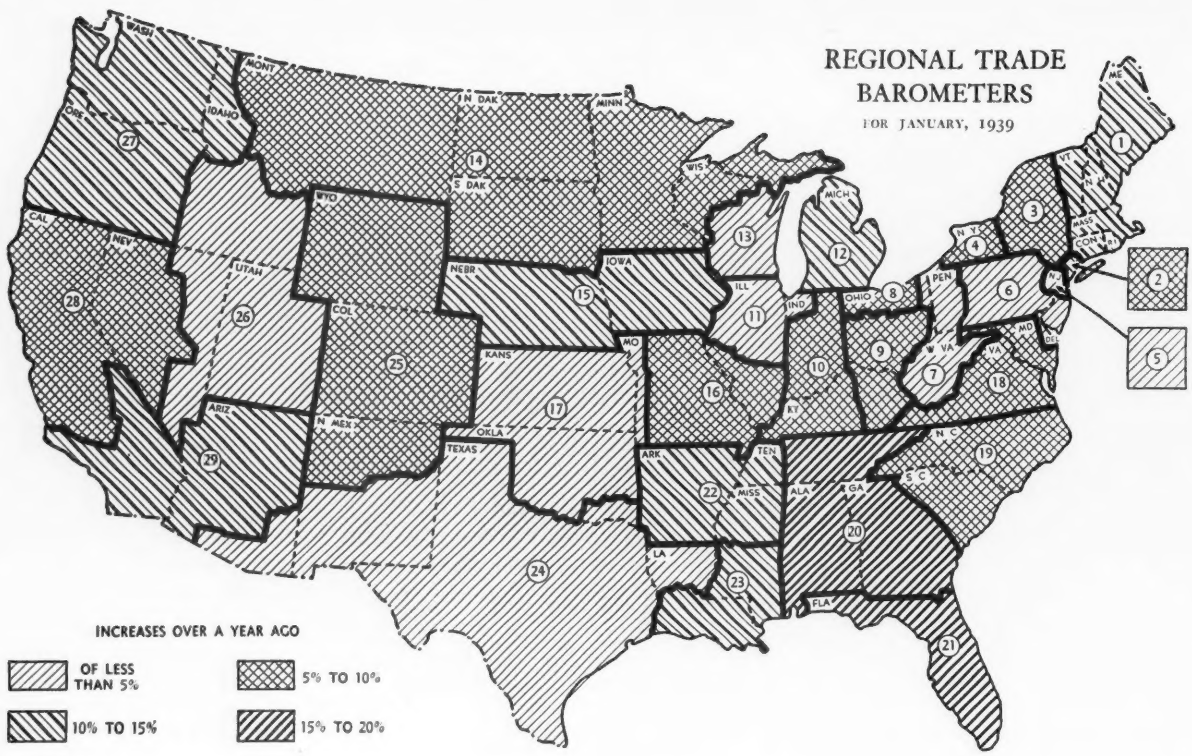
Dow-Jones Index (Weekly Average)

Week	Dec. 1938	Jan. 1939	Feb. 1939	Mar. 1939
I	147.79	153.22	143.45	147.71
II	147.98	148.57	144.47	150.84
III	150.32	148.59	144.92	147.11
IV	150.62	139.58	144.11	141.32
V	152.92			

The volume of transactions on the New York Stock Exchange totalled 13,873,350 in February, as compared with 25,182,350 in January. New capital flotations increased, and the market value of all listed shares rose over a billion dollars. An increase in the market value of bonds was also noted.

Excess reserves of member banks have continued to expand. Despite the abundance of available credit; commercial, agricultural, and industrial loans made by member banks failed to show any appreciable change.

According to recent reports, the financial picture, due mainly to the effects of international uncertainty, has taken on a darker tone. Prices of securities receded sharply, after fluctuating narrowly during February and rising moderately in the first two weeks of March. Foreign exchange rates also reflected the unsettled conditions. Reports on gold movements indicated that the United States gold stock has continued to expand due to the influx of foreign funds.



TRADE INDEX DROPS

The United States Trade Barometer fell to 84.1 (preliminary) in February from 91.3 in January. Barometer figures are compiled by Dr. L. D. H. Weld, Director of Research, McCann-Erickson, Inc.; trade information is reported by 157 district offices of DUN & BRADSTREET, INC.

ALTHOUGH the level of retail trade activity during February continued to be more than 7 per cent above last year's comparative, sales failed to expand sufficiently on a seasonal basis to prevent a further drop of 7.9 per cent in the preliminary United States Trade Barometer. The figure stood at 84.1, 7.2 points lower than in January, when the barometer registered a month-to-month decline for the first time since June.

Department store sales in February showed little change from the volume of the preceding month, but turnover was not up to expectations. Clearances of Winter goods gave way to promotions of furniture, floor coverings, and other household goods. Interest centered also on wearing apparel, but despite the approach of Easter, lingering Winter weather in many parts of the country prevented consumers from shopping with their customary ardor. Other indicators of trade activity, such as bank debits and new car sales, were more expressive of an actual decline in activity than department store sales.

Wholesale trade in general continued to make a better showing than retail. Although there were no trade shows to act as a stimulating influence, inventories were generally low, and as Winter replacement orders tapered off, wholesalers were busy with new orders of Spring apparel and house-furnishings. Buying continued to be cautious, however, for immediate rather than long-term needs.

January reports of activity showed a decline in trade in the majority of the twenty-nine regions. Only the barometers of nine regions, mainly in the Northwest and the South, showed increases over December. The largest of the increases was one of 7.9 per cent in Iowa and Nebraska. Decreases from the December level varied from 0.6 in the Kansas City territory to 13.1 in the Pittsburgh area. Thirteen regions throughout the country showed declines of less

than 5 per cent, and only two—Philadelphia and Pittsburgh—were more than 10 per cent.

There continues to be a notable contrast between the barometers of the South and those of the Northeast in comparison with the country as a whole. As may be noted on the following pages, the barometers for the Southern regions have been well above the United States average for some time, while most areas of the industrial North have fallen behind.

Every one of the regions in January showed a year-to-year increase for the first time since August, 1937. Both the Florida and the Atlanta and Birmingham regions registered gains of about 19 per cent, while seven scattered regions—New England, Detroit, Iowa and Nebraska, Memphis, New Orleans, Portland and Seattle, and Los Angeles—were between 10 and 15 per cent above a year ago. Twelve regions reported trade increases of 5 to 10 per cent over 1938, and nine regions were less than 5 per cent above last year. In comparison with the same month a year ago, the South again is in a favorable position, although a few other regions show better-than-average improvement also.

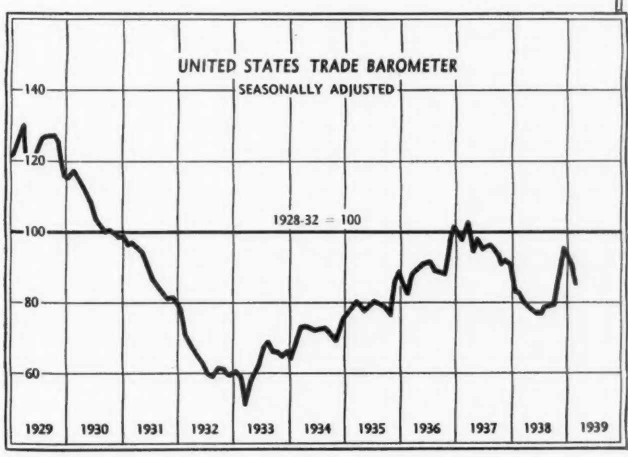
THE MAP AND CHART compare the January, 1939, indexes with those for the same month a year ago. The column at the extreme right of the chart indicates the relative importance of the regions: the figures are percentages of national retail trade from the 1935 Census of Business.

THE INDEXES for the regions are charted, with U. S., from 1937, on pages 34-37. They are composites based on: bank debits (Federal Reserve Board), department store sales (Federal Reserve Board), new car registrations (R. L. Polk & Company), and life insurance sales (Life Insurance Sales Research Bureau). In regions 2, 3, 4, 5, and 14, wholesale sales (Department of Commerce), and in region 2, advertising linage (*Editor and Publisher*), which were found to make those indexes more accurate, are included. In region 15, department store sales have been omitted. Each index is separately adjusted for seasonal variation and for the number of business days in each month. All are comparable. The monthly average for the five years 1928-1932 equals 100. The preliminary figure for the United States is computed one month before the regional figures are available.

THE PARAGRAPHS printed opposite the 29 regional charts quote figures for January based on samples of department and retail stores reporting to the Federal Reserve banks; for February and for the first half of March based on opinions and comments of business men in various lines of trade, gathered and weighed by the local Dun & Bradstreet offices.

REGIONAL TRADE BAROMETERS

	Region	Jan. 1939 Regional Index	Jan. 1939 Compared with Jan. 1938 (%)	Retail 1935 Sales %
	U. S.	91.3	+ 7.7	100.0
1.	NEW ENGLAND	83.6	+10.0	7.8
2.	NEW YORK CITY	78.9	+ 7.3	10.3
3.	ALBANY AND SYRACUSE	93.5	+ 8.8	2.6
4.	BUFFALO AND ROCHESTER	81.9	+ 5.0	1.9
5.	NORTHERN NEW JERSEY	79.0	+ 4.9	2.9
6.	PHILADELPHIA	79.8	+ 4.9	6.2
7.	PITTSBURGH	82.4	+ 2.1	3.7
8.	CLEVELAND	88.9	+ 9.9	2.9
9.	CINCINNATI AND COLUMBUS	99.4	+ 8.9	3.1
10.	INDIANAPOLIS AND LOUISVILLE	99.8	+ 7.4	2.6
11.	CHICAGO	92.9	+ 4.3	6.4
12.	DETROIT	87.4	+13.7	4.0
13.	MILWAUKEE	97.7	+ 4.7	2.2
14.	MINNEAPOLIS AND ST. PAUL	100.0	+ 6.6	4.5
15.	IOWA AND NEBRASKA	98.3	+13.1	3.0
16.	ST. LOUIS	97.4	+ 7.3	2.5
17.	KANSAS CITY	99.1	+ 3.6	3.6
18.	MARYLAND AND VIRGINIA	100.6	+ 5.2	3.8
19.	NORTH AND SOUTH CAROLINA	106.9	+ 7.9	2.1
20.	ATLANTA AND BIRMINGHAM	118.3	+18.8	3.5
21.	FLORIDA	118.3	+18.9	1.3
22.	MEMPHIS	101.2	+13.6	1.5
23.	NEW ORLEANS	105.7	+14.0	1.0
24.	TEXAS	119.2	+ 2.9	4.5
25.	DENVER	103.9	+ 6.6	1.3
26.	SALT LAKE CITY	91.4	+ 2.5	.8
27.	PORTLAND AND SEATTLE	92.9	+11.0	2.7
28.	SAN FRANCISCO	93.8	+ 6.2	3.4
29.	LOS ANGELES	96.5	+10.4	3.9



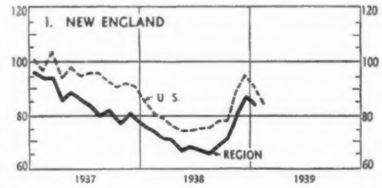
THE REGIONAL TRADE BAROMETERS

These indexes of consumer purchasing are corrected for seasonal variation; the monthly average for the five years 1928-1932 equals 100 (see preceding page). Charts showing the curves since January, 1928, were published in the March, 1939, number and will appear semi-annually. Additional information about the indexes and about their especial usefulness in regional sales quota work, back figures, and data about regional boundaries is available for users of the indexes.

1. New England

JAN., 83.6 DEC., 87.0 JAN. 1938, 76.0

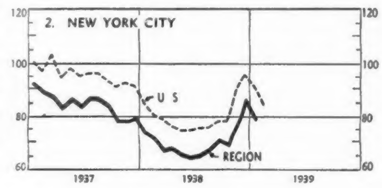
JANUARY—Percentage department store sales changes from previous January: Boston —4, Providence +2, New Haven —8. FEBRUARY—Percentage retail trade increases over previous February: Bangor–Portland 0, Manchester–New Bedford–New Haven 5, Boston 6, Worcester 1, Providence 3, Hartford 10; Springfield trade off 9% from last year. Wholesale trade changes: Portland 0, Boston +4, Springfield —10. Payrolls and production above last year and steady to improved in month. Shoe volume good. Woolen and worsted mills active. Collections fair to good in comparison with a year ago. MARCH—Industry continued active; employment improved somewhat. Spring demands bolstered trade.



2. New York City

JAN., 78.9 DEC., 85.5 JAN. 1938, 73.5

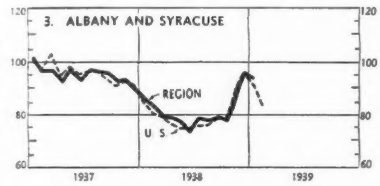
JANUARY—Percentage department store sales decreases from previous January: New York City 9, Bridgeport–Westchester–Stamford 1. FEBRUARY—Percentage retail trade changes from previous February: Bridgeport —10, New York City department store sales —6, parcel deliveries —3, hotel sales —7. Bank clearings up 16% from last February in New York City, and up 12% in Westchester County. Production and payrolls increased. Large seasonal gain noted in apparel industries. Shoe firms busier than at same time last year; output increased since January. MARCH—Retail sales show increase of approximately 5% over 1938 comparative. Demand for seasonal merchandise strong. Building reports favorable.



3. Albany and Syracuse

JAN., 93.5 DEC., 96.0 JAN. 1938, 85.9

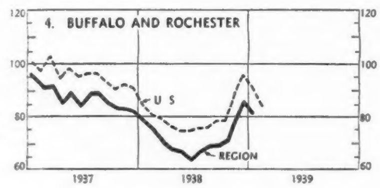
JANUARY—Percentage department store sales changes from previous January: Syracuse —7, Northern State +1, Central State —5. FEBRUARY—Percentage retail trade changes from previous February: Albany —5, Binghamton +1, Utica —6, Syracuse —4. Wholesale trade changes: Albany 0, Syracuse +4. Prices of potatoes, cabbage, and other vegetables fairly steady, below last year. Payrolls and production steady to below January level; industry generally improved over last year. Typewriter, electrical appliance, and pressing machine manufacturing fairly active. Orders at knitting mills sparse and prices low. Collections fair. MARCH—Retail trade continued at low volume. Manufacturing activity spotty.



4. Buffalo and Rochester

JAN., 81.9 DEC., 86.0 JAN. 1938, 78.0

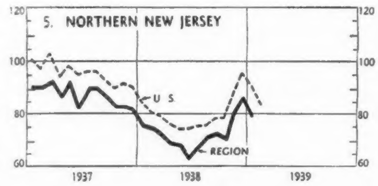
JANUARY—Percentage department store sales decreases from previous January: Buffalo 7, Rochester 10, Niagara Falls 22. FEBRUARY—Percentage retail trade changes from previous February: Buffalo —2, Jamestown +6, Elmira–Rochester —7. Buffalo wholesale trade off 2% from a year ago. Farm income steady with last year; prices down. Payrolls and production below last year in Buffalo and Rochester, steady in Elmira, up in Jamestown. Rochester clothing and photographic industries active. Jamestown furniture manufacturing slow, steel strong. Collections fair to slow. MARCH—Spring demand good in wholesale divisions. Retail sales show some improvement. Steel production above last year's level.



5. Northern New Jersey

JAN., 79.0 DEC., 86.9 JAN. 1938, 75.3

JANUARY—Northern New Jersey department store sales 5% below previous January. FEBRUARY—Newark retail sales volume 4% below February of last year; wholesale trade off 6%. Bank clearings 4% below last year in Newark, 4% above a year ago in Northern New Jersey. Production and sales up from 1938, steady with January; employment and payrolls steady with previous month and with previous year. Collections fair in wholesale divisions, slow in retailing and manufacturing. MARCH—Retail sales 10% ahead of last year. Sales of millinery, dresses, suits, and coats showed improvement. Sales of leather goods, excepting shoes and footwear, rather quiet. Production of airplane parts and accessories active. Industry generally steady.

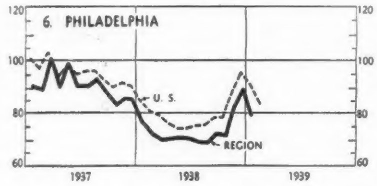


6. Philadelphia

JAN., 79.8 DEC., 89.1* JAN. 1938, 76.1

JANUARY—Percentage department store sales changes from previous January: Trenton +3, Philadelphia —4, Scranton +4, Wilmington —3. FEBRUARY—Percentage retail trade changes from previous February: Trenton —2, Allentown–Reading +5, Philadelphia —4, Scranton +2, Wilkes-Barre +3, Williamsport —15, Harrisburg–Johnstown —5, York 8, Wilmington +4. Philadelphia wholesale trade 18% above a year ago. Payrolls and production generally above last year. Pottery, rubber, and textile industries active. Coal mining curtailed. Collections fair. MARCH—Moderate priced apparel lines reacted most favorably in Spring merchandise movement. Considerable reordering in wholesale divisions.

* Revised.

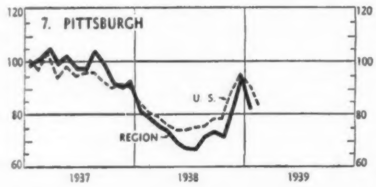


7. Pittsburgh

JAN., 82.4 DEC., 94.8 JAN. 1938, 80.7

JANUARY—Percentage department store sales changes from previous January: Pittsburgh —7, Wheeling +7, West Virginia State —2, FEBRUARY—Percentage retail trade changes from previous February: Erie +10, Pittsburgh —15, Youngstown–Clarksburg 0, Parkersburg —20, Huntington —3, Charleston +5, Bluefield —13. Wholesale trade changes: Erie +15, Pittsburgh —8, Charleston +5. Spring plowing begun. Payrolls and production irregular in comparison with last year. Pittsburgh steel operations scheduled at about 47%, against 30% a year ago. Glass and chemical manufacturing active. Coal industry unsettled. MARCH—Retail trade spotty, averaging about 10% below last year. Steel production steady.

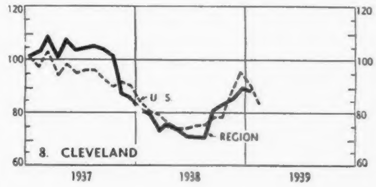
(Continued directly opposite)

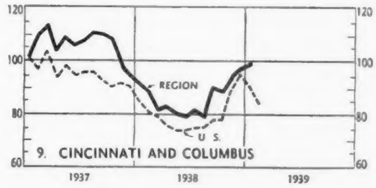


8. Cleveland

JAN., 88.9 DEC., 90.0 JAN. 1938, 80.9

JANUARY—Percentage department store sales changes from previous January: Cleveland —4, Akron +7, Toledo —3. FEBRUARY—Percentage retail trade changes from previous February: Cleveland +4, Akron +10, Canton —5, Lima —10, Toledo 0. Wholesale trade increases: Cleveland 5, Akron 3, Toledo 0. Payrolls and production generally steady to above last year. Coal industry at low level. Steel operations off somewhat in month, but well ahead of 1938. Glass and textile industries fairly active. Collections fair to good. MARCH—Automobile production and sales improved. Steel rate declined slightly. Employment gained. Building activity up sharply. Retail trade slackened somewhat.





9. Cincinnati and Columbus

JAN., 99.4 DEC., 97.7 JAN. 1938, 91.3*

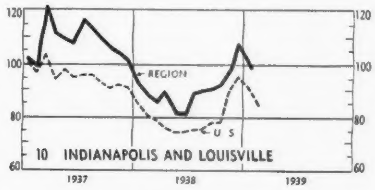
JANUARY—Percentage department store sales increases over previous January: Cincinnati 1, Dayton 7, Columbus 5. FEBRUARY—Percentage retail trade changes from previous February: Cincinnati–Springfield —5, Dayton +10, Columbus 0, Zanesville +1. Wholesale trade changes: Cincinnati +5, Columbus 0. Dairy and poultry prices steady. Tobacco prices satisfactory. Payrolls and production vary in comparison with last year. Novelty pottery and artware industries improved. Shoe industry reported gains. Collections fair to slow in comparison with last year, improved in month. MARCH—Retail and wholesale trade about even with 1938. Increases reported largely in Spring apparel lines.

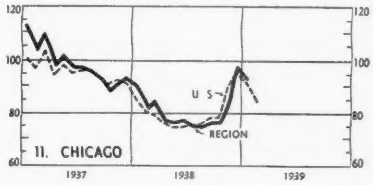
* Revised.

10. Indianapolis and Louisville

JAN., 99.8 DEC., 107.5 JAN. 1938, 92.9

JANUARY—Percentage department store sales changes from previous January: Louisville +6, Indianapolis +3, Fort Wayne —4. FEBRUARY—Percentage retail trade changes from previous February: Louisville —10, Evansville +8, Indianapolis +2, Terre Haute 0, Fort Wayne +5. Wholesale trade decreases: Louisville 15, Indianapolis 5. Livestock numbers 5% greater than last year. Production and payrolls steady to above a year ago. Metal product manufacturing active. Gasoline pump production up seasonally. Collections steady in comparison with a month ago, about even with last year. MARCH—Retail trade active in Indianapolis, slow in Louisville. Wholesale activity improved. Industry steady.





11. Chicago

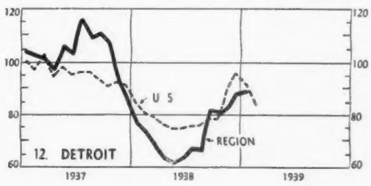
JAN., 92.9 DEC., 97.5 JAN. 1938, 89.1

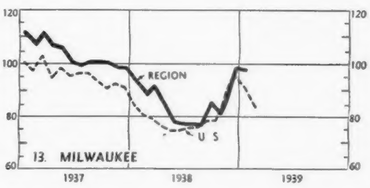
JANUARY—Chicago–Peoria department store sales off 5% from previous January. FEBRUARY—Percentage retail trade changes from previous February: Chicago–Peoria +5, Rockford —15, South Bend +10. Chicago wholesale trade up 9% from a year ago. Livestock sales lower. Payrolls and production vary in comparison with a year ago. Machine tool industry slow. Furniture manufacturing very dull. Automotive and aviation plants on three-day-week working schedules. Collections fair to slow in comparison with same period of last year, about steady with the preceding month. MARCH—Good response to furniture sales; retail trade level improved. Building activity favorable. Steel output up.

12. Detroit

JAN., 87.4 DEC., 87.3 JAN. 1938, 76.9

JANUARY—Detroit department store sales 1% above previous January. FEBRUARY—Percentage retail trade increases over previous February: Detroit 3, Grand Rapids 12, Saginaw 10. Wholesale trade increases: Detroit 14, Grand Rapids 10. Hot house vegetables of good quality, finding ready market; prices about same as last year. Production and payrolls steady with January, up in comparison with last year. Automobile production about 30% above 1938. Metal industries stepping up output. Furniture manufacturers increased employment and payrolls. Collections good. MARCH—Retail sales improved as unseasonable weather ceased. Spring apparel sales were particularly active. Automobile sales up.





13. Milwaukee

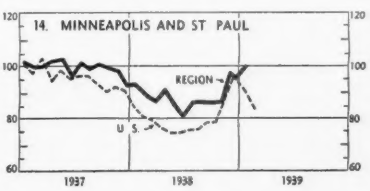
JAN., 97.7 DEC., 98.7 JAN. 1938, 93.3

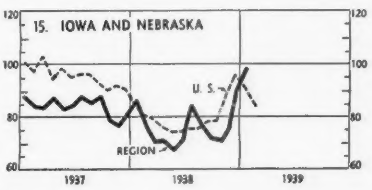
JANUARY—Milwaukee department store sales up 1% from previous January. FEBRUARY—Percentage retail trade increases over previous February: Milwaukee 5, Green Bay 20. Milwaukee wholesale trade also up 5% from previous February. Dairy prices low. Payrolls and production steady with a year ago, steady to up in month. Machine tools, auto parts and accessories, and metal trades most active industries. Paper mills operating full time; backlogs normal. Labor situation improved; only minor troubles reported. Collections vary, good to slow. MARCH—Retail business improving. Metal trades still active. Hosiery mills also making favorable reports. General situation same as last month.

14. Minneapolis and St. Paul

JAN., 100.0 DEC., 95.5 JAN. 1938, 93.8

JANUARY—Minneapolis–St. Paul–Duluth–Superior department store sales 4% above previous January. FEBRUARY—Percentage retail trade changes from previous February: Duluth–Butte —8, Minneapolis +8, St. Paul —3, Fargo —10, Sioux Falls +5, Billings 0, Great Falls —5. Wholesale trade changes: Duluth —10, Minneapolis +2, Great Falls —5. Winter wheat in good condition due to sufficient moisture. Range conditions good. Payrolls and production steady to below a year ago. Employment increased in agricultural implement and auto parts manufacturing plants. Oil industry steady. Flour demand even. Collections fair to slow. MARCH—Bargain sales increased sales volumes despite storms. Manufacturing improved.





15. Iowa and Nebraska

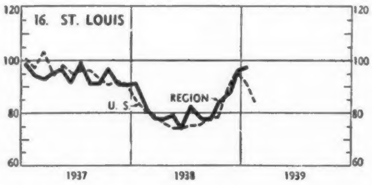
JAN., 98.3 DEC., 91.1 JAN. 1938, 86.9

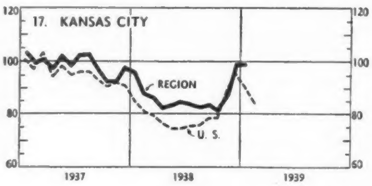
JANUARY—Omaha department store sales 5% above previous January. FEBRUARY—Percentage retail trade changes from previous February: Burlington +10, Cedar Rapids +3, Davenport–Dubuque–Des Moines —5, Waterloo 0, Sioux City–Omaha —3. Wholesale trade changes: Sioux City +9, Des Moines —5, Omaha —3. Heavy snows insure moisture for growing season. Payrolls and production vary in comparison with last year. Hosiery mills and packing plants steady. Food processing less active. Farm machinery production increased. Collections fair to slow. MARCH—More heavy snows hindered retail trade, while farming outlook was improved. Building permits showed substantial gain over 1938.

16. St. Louis

JAN., 97.4 DEC., 96.1 JAN. 1938, 90.8

January—Percentage department store sales increases over previous January: St. Louis 2, Springfield (Mo.) 3, Quincy 8. February—Percentage retail trade changes from previous February: St. Louis +2, Springfield (Mo.) +3, Springfield (Ill.) —13, Quincy —5. St. Louis wholesale trade 6% above previous February. Winter wheat in good condition. Payrolls and production above a year ago in St. Louis and Springfield, Mo.; below last year in Quincy and Springfield, Ill. Factory unemployment offset somewhat by increased construction activity. Collections fair. March—Boot and shoe manufacturing ahead of 1938. Retail sales, aided by mild weather, increased 10% over last year. Wholesale activity continues good.





17. Kansas City

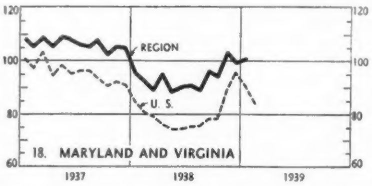
JAN., 99.1 DEC., 99.7 JAN. 1938, 95.7

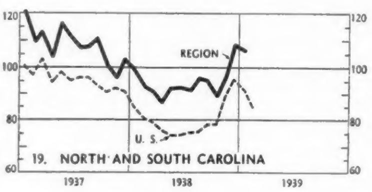
January—Percentage department store sales changes from previous January: Kansas City 0, Wichita —3, Oklahoma City +11, Tulsa —7. February—Percentage retail trade changes from previous February: Kansas City 0, St. Joseph —2, Topeka +3, Wichita-Oklahoma City-Tulsa —5. Wholesale trade changes: Kansas City +5, Oklahoma City —5. Rains and snow improved Winter wheat situation; ground in good shape for Spring planting. Payrolls and production steady to below last year. Meat packers report losses for 1938. Work clothing manufacturing fairly active. Collections fair to slow. March—Livestock and soil conditions continue normal. Retail trade showed slight loss from the 1938 comparatives.

18. Maryland and Virginia

JAN., 100.6 DEC., 109.9 JAN. 1938, 95.6

January—Percentage department store sales changes from previous January: Baltimore —7, Washington +1, Richmond 0, Virginia State —1. February—Percentage retail trade changes from previous February: Baltimore-Norfolk-Roanoke —2, Washington +3, Richmond 0, Lynchburg —5, Bristol +5. Wholesale trade changes: Baltimore +4, Norfolk —5, Richmond —3. Fall-planted crops in good condition. Livestock doing well; feed supplies ample. Production and payrolls steady to above a year ago. Rayon and furniture industries active. Shoe factories operating at capacity. Collections fair. March—Retail trade volume approximately 2% below last year. Building industry active.





19. North and South Carolina

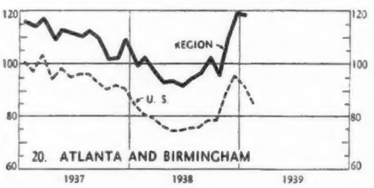
JAN., 106.9 DEC., 108.1 JAN. 1938, 99.1

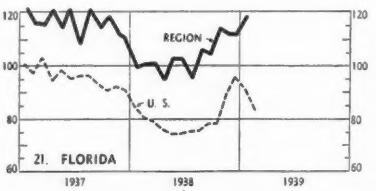
January—Percentage department store sales increases over previous January: North Carolina 4, South Carolina 1. February—Percentage retail trade changes from previous February: Asheville +1, Winston-Salem-Greenville +5, Charlotte 0, Raleigh-Wilmington —5, Charleston +6, Columbia +10. Wholesale trade changes: Wilmington —5, Charleston 0, Winston-Salem +8. Cold spell and rains damaged potato and cabbage crops. Farm prices low. Payrolls and production steady to above last year. Fertilizer factories on full time. Hosiery output showed sharp gain. Furniture manufacturing active. Collections fair to good. March—Retail trade off 12 to 15% because of continued rains. Employment improved over 1938.

20. Atlanta and Birmingham

JAN., 118.3 DEC., 119.4 JAN. 1938, 99.6

January—Percentage department store sales increases over previous January: Atlanta 9, Birmingham 1, Montgomery 2, Chattanooga 10, Nashville 13. February—Percentage retail trade changes over previous February: Atlanta +8, Augusta-Columbus-Birmingham-Mobile +5, Macon +4, Savannah-Nashville —10, Montgomery —3, Knoxville 0. Wholesale trade increases: Atlanta 5, Birmingham 10, Nashville 2. Dark fired tobacco bringing good prices. Production and payrolls steady to above last year. Production of lumber, brick, and other building materials showed small increase over January; construction activity 50% above last year. March—Favorable weather aided movement of goods, both retail and wholesale.





21. Florida

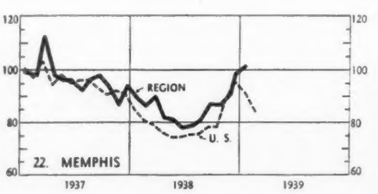
JAN., 118.3 DEC., 112.0 JAN. 1938, 99.5

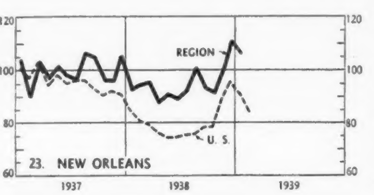
January—Florida department store sales 8% above previous January. February—Percentage retail sales changes from previous February: Jacksonville —2, Miami +3, Tampa +7. Wholesale trade increases: Jacksonville +1, Tampa +10. Citrus prices still low, but shipments increasing. Vegetable prices fair, shipments improved. Payrolls and production fairly steady with last year's comparative level. Lumber demand off slightly; production even, but not up to normal. Cigar industry continues to show gain. Naval stores reported demand and prices up some from January. Collections generally good. March—Strawberry shipments increasing; prices firm. Retail and wholesale trade continues up from 1938.

22. Memphis

JAN., 101.2 DEC., 98.6 JAN. 1938, 89.1

January—Percentage department store sales increases over previous January: Memphis 3, Fort Smith 0, Little Rock 9. February—Percentage retail trade increases over previous February: Memphis-Fort Smith 5, Little Rock 8. Memphis wholesale trade up 10% from previous February level. Spinach crop delayed by rain but in good condition. Berries and fruits in Arkansas not materially damaged by frosts. Cotton outlook fair. Production and payrolls steady to above last year. Lumber business quiet; demand off. Furniture industry operating 10 to 40% above a year ago. Collections fair to good. March—Slight pickup noted in Spring apparel sales. Buying at wholesale mainly for immediate needs.





23. New Orleans

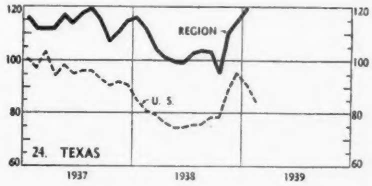
JAN., 105.7 DEC., 110.6 JAN. 1938, 92.7

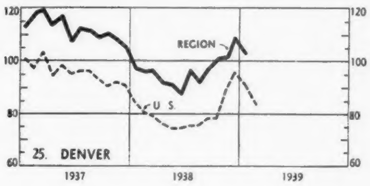
January—New Orleans department store sales up 2% from previous January level. February—Percentage retail trade changes from previous February: New Orleans-Meridian 0, Jackson —8. New Orleans wholesale trade also even with last year. Early vegetables and strawberries maturing fast; strawberry auctions about to start. Soil being prepared for cotton crop. Production and payrolls steady to below last year and even with January. New wells being developed in petroleum industry. Public works progressing on extensive scale. Collections fair. March—Pick-up noted in Spring buying of wholesale dry goods and notions. Lumber orders above last year. Retail sales show gain of 5 to 10% over 1938.

24. Texas

JAN., 119.2 DEC., 114.8 JAN. 1938, 115.8

JANUARY—Percentage department store sales changes from previous January: Dallas 0, Fort Worth–Houston +1, San Antonio —7. FEBRUARY —Percentage retail trade changes from previous February: Dallas —8, Fort Worth–Beaumont —2, Amarillo–Lubbock +2, Wichita Falls —20, El Paso–Galveston–Shreveport —10, Houston–Waco 0, Austin–San Antonio —3. Wholesale trade changes: Dallas —5, Houston–Fort Worth 0, San Antonio +12, Shreveport —15. Delay in corn planting due to rain. Wheat crop in good condition. Production and payrolls generally steady with a year ago. Lumber and oil industries quiet. Collections fair. MARCH—Furniture and building material sales strong. Trade generally spotty.





25. Denver

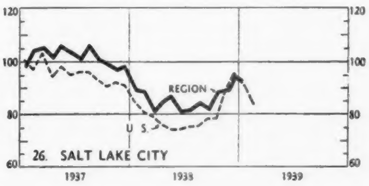
JAN., 103.9 DEC., 108.8 JAN. 1938, 97.5

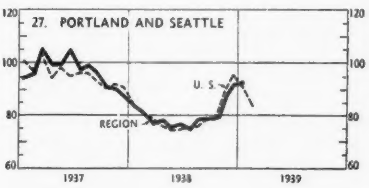
JANUARY—Denver department store sales 1% below previous January. FEBRUARY—Percentage retail trade changes from previous February: Denver —1, Albuquerque 0. Denver wholesale trade off 4% from previous February level. Unfavorable weather hampered trade, although numerous apparel sales met with fair response. Furniture, women's and men's Spring apparel lines active in wholesale buying. Cold Winter has delayed Spring planting. Considerable moisture makes crop prospects best in years. Production and payrolls show little change from January or from a year ago. Collections slow. MARCH—Warmer, more pleasant weather stimulated retail sales; volume about even with a year ago. Wholesale orders above 1938.

26. Salt Lake City

JAN., 91.4 DEC., 94.0 JAN. 1938, 89.2

JANUARY—Salt Lake City department store sales 5% below previous January. FEBRUARY—Salt Lake City retail trade up 5% from previous February; four fire sales contributed to a substantial rise in department store sales. Wholesale trade about even with January and with last year, slackening somewhat in latter part of month. Abundance of snow assured ample moisture for the Intermountain territory; range conditions good. Production and payrolls steady with January and with February, 1938. Coal production and employment up about 10% above a year ago. Other industries show little change. Collections fair. MARCH—Retail sales slightly ahead of last year's level. Cattle receipts about even with a year ago.





27. Portland and Seattle

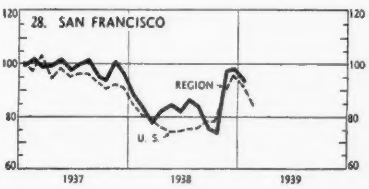
JAN., 92.9 DEC., 91.5 JAN. 1938, 83.7

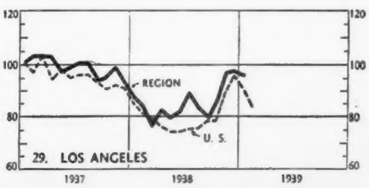
JANUARY—Percentage department store sales changes from previous January: Seattle +5, Tacoma +4, Spokane 0, Portland —1. FEBRUARY —Percentage retail trade changes from previous February: Seattle —8, Tacoma +5, Spokane —3, Portland +2. Wholesale trade changes: Seattle —21, Portland +1. Competition of low-priced citrus fruits hindered sale of apples. Production and payrolls vary in comparison with last year; up in Tacoma, steady in Portland, down in Seattle and Spokane. Lumber by-products manufacturers receiving more orders than regular lumber producers. Collections slow. MARCH—Wholesale and retail trade improved somewhat. Home construction gaining in volume.

28. San Francisco

JAN., 93.8 DEC., 98.8 JAN. 1938, 88.3

JANUARY—Percentage department store sales changes from previous January: San Francisco —3, Oakland +1. FEBRUARY—Percentage retail trade changes from previous February: San Francisco +4, Oakland–Sacramento +5, Fresno —10. San Francisco wholesale trade still 3% above last year's level. Dry spell gave farmers some worry; rainfall 50% below normal. Raisin prices increased; demand more steady. Production and payrolls steady to below last year. Shipbuilding more active. Canneries closed. Home building showing considerable gain. Golden Gate International Exposition opened under favorable circumstances. MARCH—Trade gains due to Exposition not up to expectations. Lumber output up.





29. Los Angeles

JAN., 96.5 DEC., 98.0* JAN. 1938, 87.4

JANUARY—Percentage department store sales increases over previous January: Los Angeles 2, Phoenix 7. FEBRUARY—Percentage retail trade changes from previous February: Los Angeles–Phoenix 0, San Diego —6. Los Angeles wholesale trade even with last year's comparative. Windstorm damaged navel orange crop 25%. Production and payrolls steady with last year. Copper production down. Motion picture studio activity well above last year. Automobile assembly and tire production at satisfactory levels for time of year. Building operations down from January but ahead of last February. MARCH—Dollar sales of department, apparel, and furniture stores considerably ahead of last year.

* Revised.

STEEL PLANT AT AETNA, PA.—EWING GALLOWAY PHOTO

INDUSTRIAL AND COMMERCIAL FAILURES

	Number of Failures			Current Liabilities *			Total Liabilities *			Dun's Insolvency Index † Unadjusted			Dun's Insolvency Index † Adjusted ‡		
	1939	1938	1937	1939	1938	1937	1939	1938	1937	1939	1938	1937	1939	1938	1937
Jan.	1,263	1,377	841	19,122	21,415	12,003	23,192	27,162	14,992	69.3	76.2	47.7	56.3	62.0	38.8
Feb.	963	1,149	755	12,788	21,028	14,004	12,795	25,501	22,887	62.5	75.2	50.6	54.3	65.4	44.0
Mar.	....	1,167	861	....	40,325	22,591	....	80,373	78,878	...	64.8	47.1	...	64.2	47.1
Apr.	....	1,172	818	....	21,147	12,893	....	29,355	13,628	...	65.1	48.3	...	63.2	47.4
May	....	1,123	875	....	19,139	13,088	....	19,831	14,965	...	59.8	47.6	...	59.2	47.6
June	....	1,073	703	....	15,918	12,829	....	16,892	16,737	...	64.1	41.1	...	67.5	43.3
July	....	1,038	651	....	14,761	12,780	....	15,008	13,955	...	57.2	37.9	...	64.3	42.1
Aug.	....	1,015	736	....	16,382	14,950	....	17,252	19,473	...	53.8	39.7	...	63.3	46.7
Sept.	....	866	584	....	14,341	9,818	....	15,183	11,308	...	51.6	35.2	...	61.4	41.9
Oct.	....	997	815	....	13,219	14,079	....	16,960	15,381	...	54.7	45.2	...	59.4	49.1
Nov.	....	984	842	....	12,302	16,400	....	17,281	17,709	...	53.9	52.7	...	51.8	51.2
Dec.	....	875	1,009	....	36,528	27,818	....	54,736	36,963	...	56.7	58.0	...	56.1	58.0
Total	....	12,836	9,490	....	246,505	183,253	....	335,534	276,876	...	61.1	45.9	...	...	...

* In thousands of dollars. † Apparent annual failures per 10,000 enterprises. ‡ For seasonal variation.

ANALYZING THE RECORD OF INDUSTRIAL *and* COMMERCIAL FAILURES

FEBRUARY DECLINE SLIGHTLY IN EXCESS OF NORMAL

FAILURES among industrial and commercial enterprises dropped during February to 963 from 1,263 in January. Current liabilities were also less than in January by some $6,000,000, falling from $19,122,000 to $12,788,000.

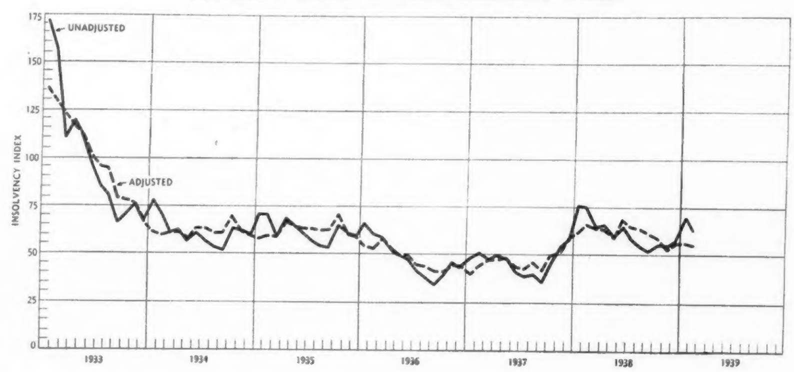
Since a large share of the decline is due to the fact that February is a short month, any analysis of the movement should be sought in the changes in the insolvency index. The index makes allowance for the change in the number of working days from month to month and relates the failures to the number of firms in business. It is expressed as the apparent number of failures in every 10,000 business enterprises.

The index dropped in February from 69.3 to 62.5, a change of 10 per cent—compared with an apparent drop of 24 per cent if the actual number of failures is used. It is customary for the index to drop in February from the January peak, and the index, when adjusted for this seasonal trend, declined from 56.3 to 54.3, indicating that the current decrease was slightly in excess of any change caused by merely seasonal influences.

The present level of failures is 16 per cent below that a year ago—963 compared with 1,149. A significant contrast between February, 1939 and February, 1938, is indicated by the adjusted index. Last February was the fifth and last month in the upward swing which carried the index from 41.9 in September to 65.4. By the end of the year failures were down again to the level of the Fall of 1937, and the current January and February changes have been little more than seasonal.

Failures in February were down in each of the five principal industry groups, with the trade and service groups leading in the rate of decline. The net drop in manufacturing fail-

MONTHLY TREND OF THE INSOLVENCY INDEX



ures was 18 per cent; but within the group, food products showed no change and in chemical and drug products failures increased.

In wholesale trade, failures in all lines were noticeably down after the sharp rise in January. In retail trade fewer failures were reported in all lines except foods. Failures in this one most important line showed no decline from January.

Comparison with failures in February, 1938, shows that failures have not declined so much in retail trade as in the other groups, with the exception of commercial service which is quite out of line.

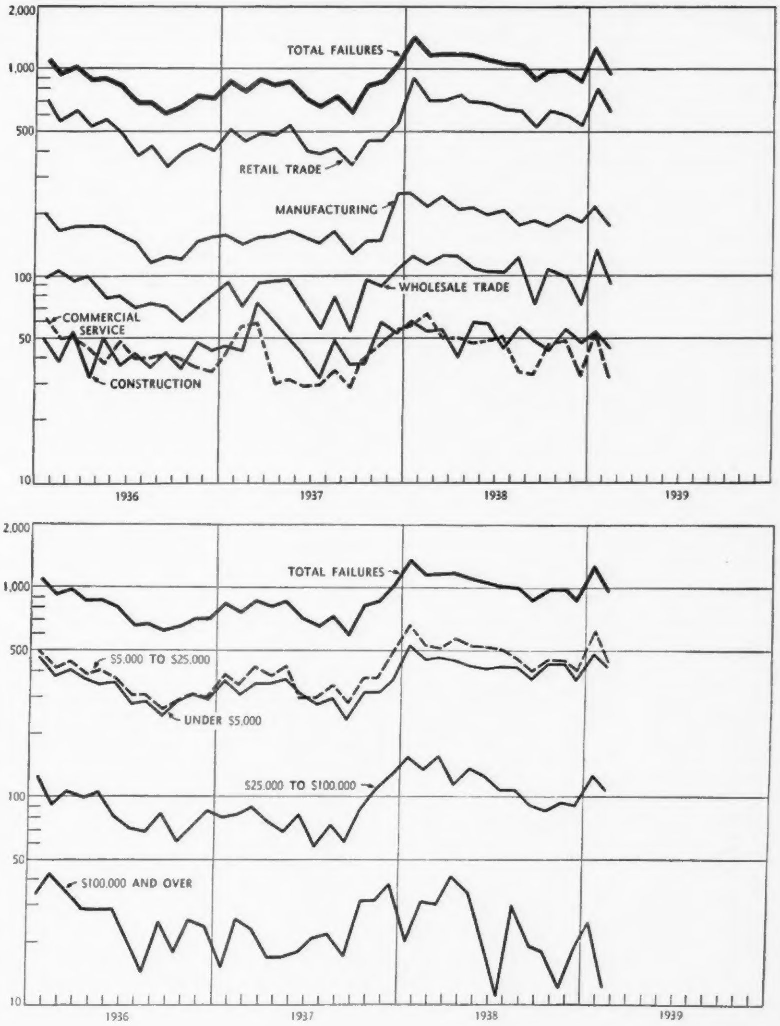
Industry Group	February 1939	February 1938	Per Cent Change
Manufacturing	177	211	—16
Wholesale Trade	91	112	—19
Retail Trade	618	705	—12
Construction	45	54	—17
Commercial Service	32	67	—52
Total	963	1,149	—16

In four manufacturing lines—foods, drugs, fuels, and leather products—failures were above those for the same period a year ago. Also, in wholesale and retail trade, food and drug lines showed no improvement over last February. A larger number of restaurants, including bars, failed in February, 1939, than during February, 1938.

There were marked differences in the movements of the various size groups in February. The decline in the number of very small failures was less than that of the other size groups, principally because just as many small manufacturers passed out of the picture in February as in January. There was a 32 per cent drop in the number of failures in the next group—those with liabilities between $5,000 and $25,000. Failures in these two groups combined continued, however, to comprise 87.9 per cent of the total as they did in January.

Likewise among the larger failures, there was a moderate drop in actual numbers among those with liabilities between $25,000 and $100,000, while the number of the very large failures was cut in two, there being only twelve in

Failures by Industrial Groups and Size of Liabilities



February, compared with twenty-four in January.

The twelve largest cases with liabilities over $100,000 can be divided as follows into types of failure: four voluntary bankruptcies, four receiverships following involuntary bankruptcy, two petitions for reorganization under Chapter X, and two for arrangement under Chapter XI. Of course the type of action taken depends largely upon the relation of assets to liabilities, but a ratio of one reorganization to six bankruptcies among the large failures was not common before the change in the Bankruptcy Act which stiffened the requirements for reorganization. In addition to these two large Chapter X cases there were twelve others with liabilities under $100,000, several of which were restaurants.

Size Group Liabilities	February 1939	February 1938	Per Cent Change
Under $5,000	411	450	— 9
$5,000–$25,000	435	532	—18
$25,000–$100,000	105	134	—22
$100,000–$1,000,000	12	31	—62
$1,000,000 and over	..	2	..
Total	963	1,149	—16

Comparison by size with the failures of last February shows current

improvement as to larger failures.

The degree of conformity to the seasonal pattern varied over the country. The Philadelphia, Richmond, and Atlanta Federal Reserve Districts experienced less than the average February drop, with some States in these districts reporting additional numbers of failures. The drop in the New England States as a whole was about normal, although Massachusetts failures increased. The failures in the Federal Reserve Districts stretching across the country in a straight line from New York to San Francisco were down from those in January more sharply than customary. In the Dallas District there was no change from January, and in the St. Louis District failures increased. In spite of this February rise the St. Louis District led the others in improvement for the first two months of this year over the first two months of last year, as the following table shows:

Federal Reserve District	January–February 1939	January–February 1938	Per Cent Change
St. Louis	69	106	—35
Boston	181	246	—26
Philadelphia	132	177	—25
Cleveland	152	191	—20
Chicago	308	377	—18
Kansas City	104	120	—13
San Francisco	230	260	—12
New York	660	699	— 6
Atlanta	144	150	— 4
Minneapolis	44	43	+ 2
Richmond	133	107	+24
Dallas	69	50	+38
Total	2,226	2,526	—12

The decline in the sections of the country outside of the twenty-five largest cities exceeded by a slight margin the decline in the big cities.

Failures by Divisions of Industry—February, 1939 and 1938

(Liabilities in thousands of dollars)

	Number			Current Liabilities		
	Feb. 1939	Jan. 1939	Feb. 1938	Feb. 1939	Jan. 1939	Feb. 1938
Total United States	963	1,263	1,149	12,788	19,122	21,028
Manufacturing (total)	117	218	211	4,985	6,803	10,139
Foods	42	43	35	1,482	1,636	784
Textiles	31	41	61	1,055	650	2,384
Forest Products	18	17	15	237	387	329
Paper, Printing and Publishing	16	15	18	512	267	595
Chemicals and Drugs	12	7	5	125	81	17
Fuels	6	9	3	306	357	1,840
Leather and Leather Products	9	12	5	118	575	84
Stone, Clay, Glass, and Products	4	8	4	112	335	466
Iron and Steel	9	12	14	255	1,090	2,094
Machinery	11	17	12	255	713	357
Transportation Equipment	..	3	4	..	26	63
All Other	19	34	35	528	686	1,126
Wholesale Trade (total)	91	135	112	1,322	2,061	2,538
Farm Products, Foods, Groceries	39	47	35	526	720	773
Clothing and Furnishings	3	10	14	25	192	217
Dry Goods and Textiles	3	7	6	21	150	50
Lumber, Building Materials, Hardware	4	6	9	95	53	445
Chemicals and Drugs	4	8	3	45	125	29
Fuels	1	3	3	55	77	130
Automotive Products	6	7	9	52	122	391
Supply Houses	9	12	10	109	146	73
All Other	22	35	23	394	476	430
Retail Trade (total)	618	802	705	5,251	7,731	6,622
Foods	169	168	163	994	858	901
Farm Supplies, General Stores	30	42	22	185	348	206
General Merchandise	35	54	55	367	515	619
Apparel	147	219	174	1,091	1,600	1,537
Furniture, Household Furnishings	45	49	58	418	583	731
Lumber, Building Materials, Hardware	31	38	34	385	860	407
Automotive Products	30	57	58	398	1,067	833
Restaurants	61	74	48	765	863	635
Drugs	40	47	42	295	512	414
All Other	30	54	51	353	525	339
Construction (total)	45	54	55	968	615	955
General Contractors	2	5	11	61	59	215
Carpenters and Builders	14	17	10	565	206	362
Building Sub-contractors	26	30	32	262	340	356
Other Contractors	3	2	2	80	10	22
Commercial Service (total)	32	54	50	262	1,912	809
Cleaners and Dyers, Tailors	10	9	10	39	75	90
Haulage, Buses, Taxis, etc.	9	13	18	112	128	403
Hotels	4	7	4	36	1,347	202
Laundries	2	6	4	13	144	24
Undertakers	2	2	5	12	9	48
All Other	5	17	9	50	209	42

Canadian Failures

Canadian failures rose in January from 71 in December with liabilities of $1,019,000 to 120 with $1,209,000 liabilities. In February the number of failures remained practically unchanged at 121, but liabilities fell to $972,000. There are two significant points about the February record: (1) Canadian failures are just as likely to increase in February as to decrease, so that a sustained level at a time when U. S. failures drop is not unusual; (2) Failures to the number of 120 a month have occurred only once before since the Spring of 1936, namely in November, 1938, when 122 were reported. February failures were 22 per cent above those a year ago.

The present high level is caused for the most part by increased numbers of failures in retail trade and commercial services in the Province of Quebec, and in the Western Provinces.

Note: In Dun's Statistical Review there are published more detailed failure statistics by States, large cities, industrial divisions, and size of liabilities.

SIGNIFICANT BUSINESS INDICATORS

COMPILED BY THE STATISTICAL STAFF OF "DUN'S REVIEW"

More detailed figures appear in "Dun's Statistical Review"

Building Permit Values—215 Cities

Geographical Groups:	February 1939	February 1938	Change P. Ct.	January 1939	Change P. Ct.
New England	$2,727,588	$3,145,967	— 13.3	$4,519,466	— 39.6
Middle Atlantic	28,283,117	11,313,962	+150.0	32,012,682	— 11.7
South Atlantic	7,681,084	10,100,621	— 24.0	9,935,755	— 22.7
East Central	15,083,762	6,988,329	+115.8	18,649,865	— 19.1
South Central	9,520,535	7,825,802	+ 21.7	9,098,885	+ 4.6
West Central	3,992,915	3,139,913	+ 27.2	3,333,994	+ 19.8
Mountain	1,562,233	834,315	+ 87.2	1,130,603	+ 38.2
Pacific	12,589,624	10,661,304	+ 18.1	14,946,839	— 15.8
Total U. S.	$81,440,858	$54,010,213	+ 50.8	$93,628,089	— 13.0
New York	$23,210,440	$6,085,752	+281.4	$23,588,706	— 1.6
Outside New York	$58,230,418	$47,924,461	+ 21.5	$70,039,383	— 16.9

Bank Clearings—22 U. S. Cities

(Millions of dollars)

	Monthly			Daily Average		
	1939	1938	1937	1939	1938	1937
January	23,187	21,798	27,226	927.5	871.9	1,089.0
February	19,711	17,584	23,720	896.0	799.2	1,078.1
March	....	22,822	29,412	....	845.3	1,089.3
April	....	21,667	26,086	....	833.4	1,003.3
May	....	20,169	23,951	....	806.8	958.0
June	....	23,959	25,903	....	921.5	996.3
July	....	21,624	26,015	....	865.0	1,000.6
August	....	19,716	22,260	....	730.2	856.2
September	....	21,733	24,076	....	869.3	963.0
October	....	24,011	24,668	....	960.4	986.7
November	....	21,637	21,796	....	940.7	947.6
December	....	27,697	25,805	....	1,065.3	992.5
Total	....	264,417	300,918	....	875.8	996.7

Bank Clearings for Individual Cities (000 omitted)

	February 1939	February 1938	Change P. Ct.	January 1939
Boston	$809,179	$731,538	+ 10.6	$918,451
Philadelphia	1,395,000	1,289,000	+ 8.2	1,578,000
Buffalo	116,704	112,343	+ 3.9	132,400
Pittsburgh	439,651	421,006	+ 4.4	492,161
Cleveland	337,787	275,408	+ 22.6	374,292
Cincinnati	209,916	202,850	+ 3.5	239,668
Baltimore	259,997	234,245	+ 11.0	275,552
Richmond	142,801	135,634	+ 5.3	160,430
Atlanta	212,000	194,300	+ 9.1	237,600
New Orleans	155,011	148,764	+ 4.2	171,994
Chicago	1,037,137	1,024,529	+ 1.2	1,206,804
Detroit	355,090	304,771	+ 16.5	420,407
St. Louis	313,073	297,889	+ 5.1	353,956
Louisville	132,484	127,075	+ 4.3	151,809
Minneapolis	205,139	210,921	— 2.7	256,424
Kansas City	311,553	312,795	— 0.4	382,740
Omaha	110,653	101,800	+ 8.7	130,739
Dallas	197,217	186,542	+ 5.7	223,952
San Francisco	530,594	492,402	+ 7.8	596,219
Portland, Ore.	101,140	101,709	— 0.6	122,528
Seattle	116,535	115,102	+ 1.2	145,420
Total 21 Cities	$7,488,661	$7,020,623	+ 6.7	$8,571,546
New York	$12,222,715	$10,562,781	+ 15.7	$14,615,883
Total 22 Cities	$19,711,376	$17,583,404	+ 12.1	$23,187,429

Dun & Bradstreet Weekly Food Price Index

The index represents the sum total of the wholesale price per pound of 31 commodities in general use.

Weeks:	1939	1938	1937	1936
Mar. 28	$2.29	$2.44	$2.99	$2.57
Mar. 21	2.31	2.46	3.01	2.59
Mar. 14	2.29	2.48	3.01	2.59
Mar. 7	2.34	2.49	2.99	2.58
Feb. 28	2.33	2.47	2.96	2.62
Feb. 21	2.32	2.48	2.94	2.67
Feb. 14	2.31	2.44	2.95	2.73
Feb. 7	2.30	2.43	2.96	2.68

	High	Low
1939	$2.34 Mar. 7	$2.29 Mar. 14
1938	$2.53 Jan. 4	$2.34 May 10
1937	$3.01 Mar. 16	$2.56 Dec. 28

Dun & Bradstreet Daily Weighted Price Index

30 Basic Commodities

(1930-1932 = 100)

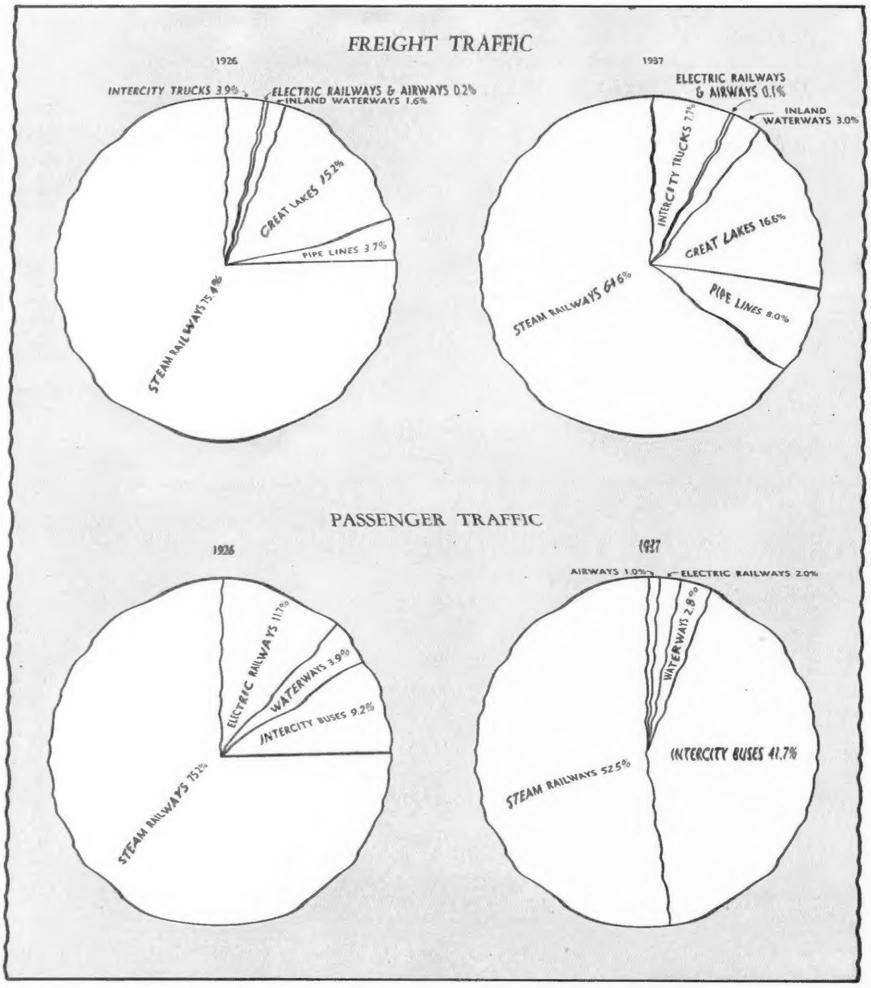
	1939 Mar.	1939 Feb.	1939 Jan.	1938 Dec.
1	106.24	105.65	†	105.71
2	106.21	105.48	*	105.57
3	106.12	105.48	105.78	105.38
4	106.21	105.36	105.97	† ....
5	†	†	105.68	105.24
6	106.47	105.08	105.72	104.59
7	106.19	104.93	105.74	105.36
8	105.94	105.13	†	105.29
9	105.82	104.63	105.62	105.23
10	105.46	104.87	105.38	105.46
11	105.30	104.80	105.39	† ....
12	†	†	105.62	105.12
13	104.84	*	105.49	104.51
14	104.67	104.96	105.46	104.65
15	104.90	105.28	†	104.46
16	104.64	105.31	105.83	103.98
17	104.69	105.50	105.88	103.85
18	104.64	105.50	106.10	† ....
19	†	†	105.88	104.49
20	104.76	105.82	105.91	104.56
21	104.89	105.80	105.69	104.82
22	104.94	*	†	105.16
23	104.82	105.94	105.65	105.33
24	104.64	106.14	105.69	* ....
25	104.79	106.15	105.92	† ....
26	†	†	105.43	* ....
27	104.76	105.88	105.55	105.71
28	104.59	105.90	105.62	105.96
29	104.23		†	105.84
30	104.19		105.63	105.48
31	104.06		105.45	* ....

† Sunday. * Markets closed.

	High	Low
1939	106.47 Mar. 6	104.06 Mar. 31
1938	117.06 Jan. 10	102.43 June 2
1937	158.26 Apr. 5	114.83 Dec. 30

THROUGH THE STATISTICIAN'S EYES

ODD AND INTERESTING ITEMS FROM THE MONTH'S RECORD



DISTRIBUTION OF FREIGHT AND PASSENGER TRAFFIC IN THE UNITED STATES—*1926 and 1937—Report of Committee to the President of the United States on the General Transportation Situation—The rapid development of facilities has resulted in shifts in traffic distribution which have caused a national transportation problem.*

The Railroad Transportation Problem

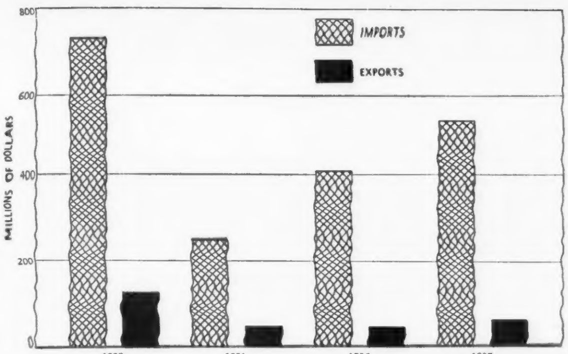
A COMMITTEE appointed by the President of the United States to consider the status of transportation in the country concluded that the condition of the railroads was the chief problem in the general situation. Unequal and economically wasteful competition for traffic among the various modes of transportation has led to a low volume of railroad traffic, and to depressed rates.

The changed distribution of freight traffic, which constituted about 92 per cent of total transportation traffic in 1937, gives a good indication of the general trends. In 1926, 75.4 per cent of the total revenue ton-miles of commercial freight traffic was carried by steam railway, as compared with 64.6 per cent in 1937. Intercity trucks carried 3.8 per cent more freight in 1937 than in 1926, and pipe lines 4.3 per cent more. Waterways, including inland waterways and the Great Lakes, carried 2.8 per cent more of the total in 1937 than in 1926.

The chief change in passenger traffic during the eleven-year period was from steam and electric railways to buses. In 1926, steam and electric railways combined carried 86.9 per cent of the total passenger traffic, while inter-city buses carried 9.2 per cent. In 1937, only 54.5 per cent of the total number of revenue passenger-miles was distributed to the railroads, while buses had a 41.7 per cent share. Airway passenger traffic was hardly perceptible as a percentage of the total in 1926; by 1937, 1 per cent of the total passenger-miles were travelled by air.

Trade With Latin America

THE WORLD SITUATION has stimulated interest during recent weeks in international trade in general, and in the trade between the United States and Latin America in particular. In 1937, our agricultural and industrial exports to the 20 Latin-American countries equalled about one-fifth of our total world exports. Between 1932 and 1937, furthermore, exports to Latin America almost trebled, while exports to the rest of the world slightly more than doubled. Agri-



Agricultural Trade of U. S. with Latin America—*Specified years, 1929-1937—U. S. Bureau of Agricultural Economics—Our imports of agricultural products from Latin America greatly outnumber exports of those products to Latin America; the 1929 level of trade had not been regained in 1937.*

cultural exports alone—consisting in the main of exports of wheat, flour, and lard to Cuba, Mexico, Panama, Venezuela, Argentina, Colombia, and Brazil—increased from $37,000,000 in 1932 to about $53,000,000 in 1937. This compared, however, with a similar export trade of $129,000,000 in 1929.

Total imports from Latin America increased somewhat less than total exports between 1932 and 1937, and were in 1937 about two-thirds as large as in 1929.

Comparative Growth of Retail Businesses

Among the various aspects of retail trade which are discussed by the U. S. Bureau of the Census in their 1937 Retail Survey is the subject of growth of stores by their volume of business. Since difficulty was encountered in determining whether to base the classification of a store's size on its sales volume at the beginning or end of the period

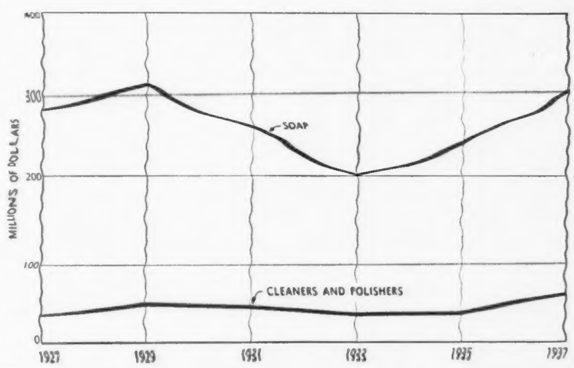
Per Cent Increase in Volume of Sales by Size of Retail Businesses in 1935—1935-1937—*U. S. Bureau of the Census—Based on the volume of their sales in 1935, smaller stores showed much greater increases in sales between 1935 and 1937 than the larger establishments.*

under observation, the Bureau analyzed nearly 116,000 stores in both ways, first according to size in 1935, and then according to size in 1937.

Based on size in 1935, the smaller stores grew faster proportionately than the larger stores. Reasons pointed out were that, in the case of the smaller stores, relatively small increases represented large percentage gains, that larger stores are more cushioned against cyclical disturbances than smaller ones, and that, therefore, small stores respond to favorable conditions in a more sensitive manner. The totals, however, were affected primarily by the accident of what kinds of business predominated in the various size-groups. The alternate classification, with 1937 as base, shows that the larger stores at the end of the period had made the largest percentage gains.

Soap

Whether or not America was actually cleaner in 1937 than in 1935 or 1933 is a question on which some light may



Census of Manufactures: Value of Soap and of Cleaners and Polishers Manufactured—1927-1937—*U. S. Bureau of the Census—The dollar value of soap manufactured in 1933 was considerably less than in 1929 or 1937; the value of cleaners and polishers showed little variation over the ten-year period.*

be thrown by statistics recently published by the U. S. Bureau of the Census on the soap and cleaning preparations industries. Reports to the Biennial Census of Manufactures revealed that the total value of products manufactured in the soap industry increased 26 per cent between 1935 and 1937, and 50.5 per cent between 1933 and 1937. Cleaning and polishing preparations showed an increase in value of 36.5 per cent in the two-year period, and 41.0 per cent in the four-year period.

A break-down of the totals indicates that in the soap industry the greatest increase occurred in the granulated, powdered, and sprayed soaps division; the value of these types of soaps manufactured increased 51.1 per cent between 1935 and 1937, while the number of pounds increased 47.7 per cent. Counterbalancing this were large decreases in the number of pounds of soap chips and flakes and of cleansers and scouring powders.

HERE AND THERE IN BUSINESS

WHAT'S NEW AS OBSERVED BY THE AGENCY'S REPORTERS

TAVERN—*"Snack" service is provided on Seaboard Railway's Silver Meteor amid brown, pink, red, turquoise, and grey pastel furnishings: Tavern gone to town.*

OLD DRUM—*Ingenuity won this combination shipping carton, display unit, holding three sizes of bottles, an American Management Association packaging award.*

Henna—When a railroad builds a train to please lady passengers, you can expect almost anything. Seaboard Railway's new Silver Meteor, recently put into service along the Atlantic Coast to Florida, was specifically planned to allure the feminine traveller. Interiors are as colorful as a World's Fair on wheels, and even the dining-car carpet is henna'd in the center.

An all-coach train, slip-streamed and speedy, Silver Meteor not only simulates a rainbow racing south, but also carries decorative photomurals in each coach. Hereafter you can pick railroad cars to match your wife's dresses. There may even be a coach somewhere to match that maroon necktie with the spinach-colored spots.

Surprise—Imagine a Brooklyn, N. Y., tax collector's shock March 15 when Federal income tax returns included $10 from a man who wrote that he didn't earn enough money to pay any income tax. Believing, however, that every person should pay something to the support of the Government, this most amazing correspondent was declaring a $10 dividend in favor of Uncle Sam.

Magnet—There is at least one profession still actively soliciting employees. Whatever Tin Pan Alley's song writers may have to say about the "man with endurance," he represents an industry which is always on the watch for more like him.

One magnet to pull new entrants into the field is "Can I Make a Living as a Life Insurance Representative?" a pamphlet published by the Mutual Life Insurance Company of New York. Of general interest is its comparative table of various representatives' earnings during their first year in business. One, starting in a large city, is described as earning $1,259. A second in a medium-sized city, made $6,185. Wonder if that represents entirely a difference in ability or 500 per cent more opportunity for friendships in a medium-sized city?

In the field of life insurance even more than most businesses, public good-will depends on individual representatives. Mutual Life's sales training booklet therefore emphasizes the practical use of selling appeals keyed to the individual's interest, and also the importance of knowing *what* the person wants his insurance *for*, how *much* is needed, and *when* it is needed.

Good-Will—Loaded with such intangibles as the approval of governmental departments and the endorsements of the American Automobile Association, the United States Bureau of Public Roads and the Pan-American Union, an otherwise empty Dodge truck set off last January from New York toward Lima, Peru.

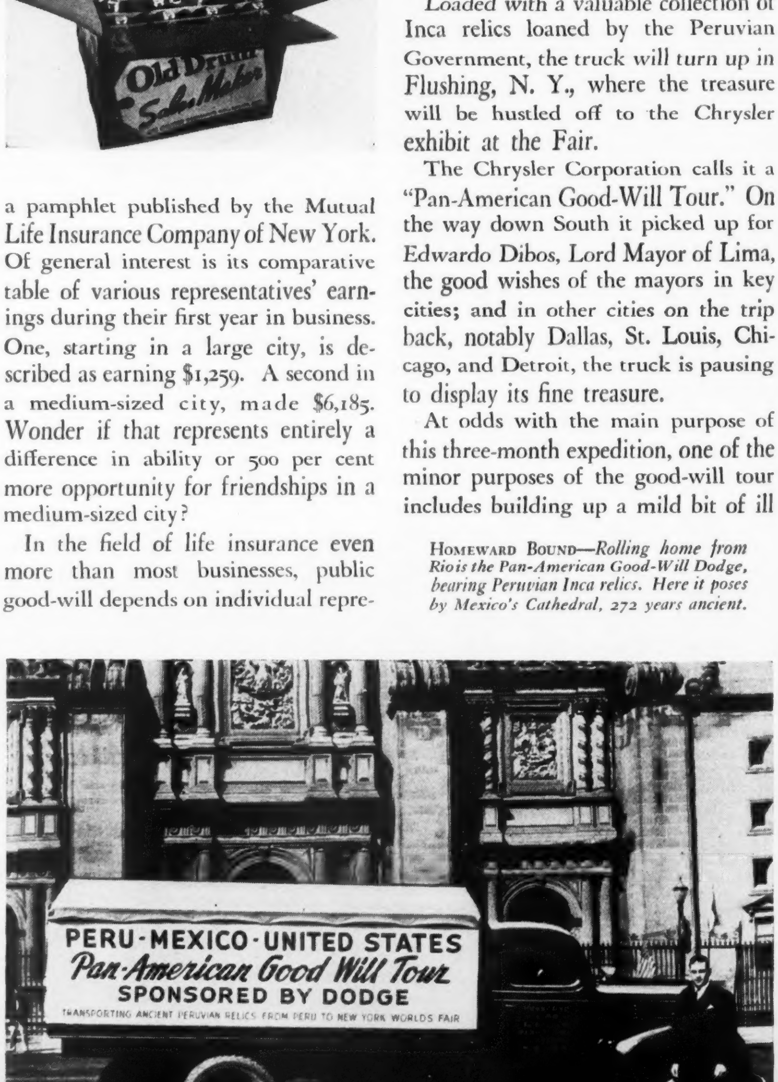
Yes, it's a publicity stunt, and, yes, it has something to do with the New York World's Fair.

Loaded with a valuable collection of Inca relics loaned by the Peruvian Government, the truck will turn up in Flushing, N. Y., where the treasure will be hustled off to the Chrysler exhibit at the Fair.

The Chrysler Corporation calls it a "Pan-American Good-Will Tour." On the way down South it picked up for Edwardo Dibos, Lord Mayor of Lima, the good wishes of the mayors in key cities; and in other cities on the trip back, notably Dallas, St. Louis, Chicago, and Detroit, the truck is pausing to display its fine treasure.

At odds with the main purpose of this three-month expedition, one of the minor purposes of the good-will tour includes building up a mild bit of ill

HOMEWARD BOUND—*Rolling home from Rio is the Pan-American Good-Will Dodge, bearing Peruvian Inca relics. Here it poses by Mexico's Cathedral, 272 years ancient.*

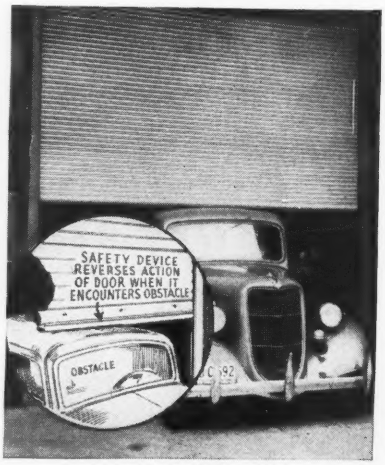


will, or discontent, over the fact that the Pan-American Highway still remains incomplete. The Dodge truck rolled under its own power as far as Acapulco, on the Pacific Coast of Mexico, but from there it had to get aboard a Grace Liner to reach Peru. Same boat-trip on the way back.

Rooms—Half-way through the last World's Fair, the buses and railways discovered that potential visitors were staying away from Chicago by the thousands because of the hectic fight for quarters. They widened the bottleneck by making private rooms available after an examination.

This year, for the New York visitation, there is already at work an organization doing just that sort of job. Called Registered Rooms, Inc., it has on its rolls 70,000 rooms already, is making more inspections (under the direction of the Chicago-made expert, in fact), and is confident that by next Summer it will be able to handle 300,000 guests nightly in a pinch. Bottom price will be $1 a person a night; average rate about $1.50.

Customers will come to Registered Rooms in a number of ways. Postal Telegraph looked the outfit up and down quizzically for four or five weeks, and now it's going to be possible to make reservations through any Postal office. Promotion material has gone out to 350 trade journals and 1,700 personnel directors; arrangements can be made for housing groups of employees, either as visitors to the fair or as employees engaged in the exhibits. Throughout the country, railroad and bus stations will give out information about the room service. Seventy-two universities know of it. Registered Rooms' stockholders themselves represent 458 industrial companies.



Timid—*So delivery trucks won't bump their heads, Kinnear Manufacturing Company markets this shy, vanishing door.*

Reversible—For factories, garages, and such, heavy doors which roll down from overhead are all very well, provided only that the control button can be operated from a position in direct view of the doorway. Not so good, however, if the control button is pushed when someone or some thing—an automobile for example—is half in or half out.

The Kinnear Manufacturing Co., Columbus, Ohio, reports that for its rolling doors it has a new safety device which works this way: A compressible, air-containing weatherstrip is placed along the entire bottom edge of the door. If the door, descending, meets some obstacle, the impact compresses the weatherstrip, which forces air through an impulse switch. The switch, in turn, either stops the door or returns it completely.

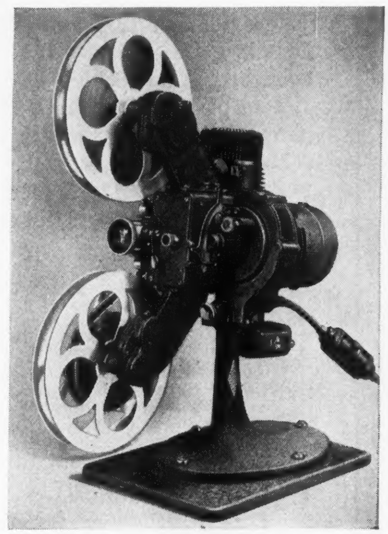
Rockets—Now there's an addition to the rocket family. To the fiery sky rockets, the fictional Martian rockets, and the fancy Rockefeller City Rockettes (dancers), we hasten to join the functional United Parcel Rockets.

Commodious—*Rocket Delivery Cars have 370 cu. ft. loading space, sky and dome lights, and shelf loading facilities.*

These are spacious delivery cars, as silent as a dynamo, and as economical of garage space as the smallest standard panel delivery truck.

Visualize a chocolate painted shipping crate, rubber-wheeling along at 45 miles an hour, with the driver cuddled luxuriously a few feet behind the front bumper. Now you have it: useful, fast, neither pretty nor ugly.

For those who have delivery problems, Shop Engineer Ralph M. Werner has this to say describing his company's carriers: Net loading space, 370 cubic feet, no propellor shaft tunnel in the floor, and 78-inch headroom. (Delivery men no longer need acquire the sinister stoop of a moving picture gangster on business bent).



Crinkle—*Bell & Howell shows new, moderate priced 16mm. projector, gear driven, with F 1.6 lense, in crinkle-baked enamel.*

Fillets—Through no greater than normal application on their part, even fish are now on their way to becoming a standardized product. Before 1921 a fish was a fish, and one ate it with relish, but gingerly, dodging bones here and there. In that year fish marketers began to turn out fillets, deboned cod, haddock, and such, in some quantity.

Until this year, however, filleting was a manual operation, and at best a wasteful one. The inevitable automatic machine became a commercial reality about a month ago, when it was installed in Boston by The Atlantic Coast Fisheries Company.

FEAR AND FORCE —OR FACTS?

(Continued from page 7)

even then it was becoming constantly more difficult for the individual producer of raw materials to survive.

It is here, it seems to me, that the heart of the problem presents itself. The individual worker and the individual producer have been becoming more dependent for their economic life on the huge organizations which handle the bulk of all commerce and industry. As they become less economically free, the market for industry and commerce tends to get more narrow and that, in turn, produces more unemployment, which again reacts upon the whole system, and the situation tends to get progressively worse.

Solution in Doubt

It is easy to blame the politicians, as many business men do, or Big Business, as many politicians do, but the symptoms of the disease are found in every country, and no country has as yet found the solution. Some countries have resorted to force with astonishingly repressive effects upon both business and citizen. The concentration camp and the firing squad reduce unemployment, but they don't set business free and they don't raise the standards of living.

Man was not made for the state, nor was he made for any economic system. Both the state and the economic systems were made to serve the needs and the conveniences of man. Ours, then, is a problem of adjusting the modern economic system to meet the requirements of men.

Business will best serve itself and government will best serve the people when both co-operate to devise the rule that will keep opportunity free, provide employment, stabilize income, and abolish all arbitrary restriction on free private enterprise, whether such restrictions originate in private or public power. Only thus can we justify democracy. And the first step is to get the facts.

I have a profound faith that, given the facts, the American people will know the answer. It is an answer for which the world is waiting.

SALES AND INVENTORIES

(Continued from page 28)

the sales trend for the trade as a whole. Inventories held by the reporting concerns moved downward about in step with their sales volume.

In the case of wholesalers of produce and fruit, it would seem again that the Survey sample constitutes a better guide for individual performance than for the trade as a whole. Our compensated estimate has been adjusted to show a 12 per cent smaller dollar volume in 1938 than in 1937, in view of sharp price decreases and general reports.

Other Wholesale Trades—Almost without exception, the reporting dry goods wholesalers lost ground in 1938, and their sales record of 13 per cent decline is considered by trade observers more optimistic than would be true of the trade as a whole. On the basis of trade association data the compensated estimate is that sales fell off by 15 per cent. According to the reporting concerns, inventories moved downward closely in step with sales.

The Survey contributors from the wholesale hardware trade suffered only a 13 per cent cut in sales volume, and this is in line with trade association estimates. Their inventories were curtailed only about one-third as fast.

An increased flow of business handled by gasoline and oil wholesalers seems only logical in view of official figures showing increased consumption of taxable gallons of gasoline by the motoring public. On the other hand, average prices were slightly lower in 1938 so that a slight decrease in dollar sales might have been expected. However, the compensated estimate of sales is set at no change from 1937. Trade observers suggest the possibility that somewhat more business is flowing through wholesale channels in view of the decreased number of filling stations now operated by the large refining companies.

The wholesalers' automotive equipment trade where sales are estimated to have dropped by 7 per cent did not fare quite as well as petroleum wholesaling because the purchase of accessories can

be postponed more easily than the purchase of gasoline.

Wholesalers of machinery and equipment, like the electrical goods wholesalers, reported a sharper decline in sales than most of the other trades analyzed in this preliminary report. However, inventories fell off by only 4 per cent which may indicate that production in this field has not receded as much as sales.

Sales in the plumbing and heating supply and other miscellaneous supply trades are estimated to have fallen off by 18 and 14 per cent, respectively, though the early-bird sample of reporting concerns was more optimistic. On the other hand, inventories for these same trades had dropped less than half as much as sales.

The exceptionally optimistic reports from the wholesale tobacco trade have already been mentioned.

Figures gathered by the National Paper Trade Association are used in lieu of the Survey data as the basis for our estimate in the wholesale paper trade. They show a 14 per cent decline in sales, with inventories moving closely in step.

OVER THE EDITOR'S DESK

FOR THE NEXT of those articles in which the leaders of America's thinking give their convictions on subjects of current significance there is scheduled one from Mr. Howard Coonley, chairman of the board of Walworth Company and president of the National Association of Manufacturers. Mr. Coonley's views will come from a background of more than a quarter of a century as a corporation president and Chairman of the Board.

FOR NEXT month there is listed a continuation of Edwin B. George's March deliberations on "How Big is Big Business?" In that first article there was reviewed conflicting testimony as to the concentration of big business from as recent data as were available. This next report of that study will consider the evidence available as to the tendencies toward or away from concentration of industrial and commercial activities.

RINGING down the curtain on the Survey of Business Trends, the May DUN'S REVIEW will carry the final sales and inventory data that will result from compilation of figures on some 28,000 questionnaires. There will be included separate estimates from about 100 industries and trades, including a number not previously reported upon. There will be revisions of the preliminary data for the 16 retail trades reported on in the March number and for the 12 wholesale trades and 28 manufacturing industries which are found on pages 21-28 of this issue.

BLACKWELL SMITH, who in the January, 1938, issue co-authored an analysis of how the Federal Trade Commission had interpreted the Robinson-Patman Act, contributes again to this magazine soon. Since 1935 with the legal firm of Wright, Gordon, Zachry & Parlin, and previously a counselor for the NRA and the National Industrial Recovery Board, Mr. Smith is intrigued by possibilities for co-operation between the Temporary National Economic Committee, industry and trade associations, and business generally. It should be interesting to compare his article on teamwork for prosperity with that in this number by Committee Chairman O'Mahoney.

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Public Finance

THE sewing-machine salesman, door-to-door variety, had made his demonstration and was trying to clinch the sale. "Lady, buy this machine for your husband's sake. You want him to be a success, don't you? What you should do is spend more money, and he'll have to get busy and earn more. Then he'll begin to move up the ladder."

Most of us are not so optimistic about our ability to expand our incomes, and therefore feel that expenditures must be adjusted to incomes. The great exception is the government. Like the salesman's picture of the lady's husband, its income is adjusted to meet its expenditures. That is why it is irrelevant to complain of high taxes—the thing that is high is expenditures and taxes follow inevitably, sooner or later. The problem of taxes is essentially that of deciding how the total needed shall be obtained—who shall pay how much when. But expenditures determine what total is needed. Appropriation bills are often more important than tax bills.

Willard L. Thorp.

E D I T O R